



Doing Business in Romania: 2011 Country

Commercial Guide for U.S. Companies

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Chapter 1: Doing Business in Romania

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Market Overview

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Romania is a market with tremendous potential, a strategic location, and a business environment that offers opportunities amidst some risks. Reducing those risks and realizing the opportunities require patience and a careful sifting of market information.

After several years of strong growth, Romania slumped into a deep recession in 2009 with GDP contracting by more than 7%. The contraction moderated in 2010 to minus 2% of GDP, and most forecasts see a gradual return to growth of 0.5% to 1.5% in 2011, positive but still lagging behind most of the European Union. Forecasts for succeeding years are more encouraging, as most predict the rate of economic growth to accelerate further.

Stabilization of the economy has been due largely to a €20 billion (\$27.4 billion) rescue package led by the International Monetary Fund (IMF). Romania has shown commitment to meeting the terms of the agreement with IMF, implementing a tough austerity program to reduce its budget deficit to 4.4% of GDP in 2011 and to 3% of GDP in 2012.

Several of these measures, including an increase from 19% to 24% in the value added tax (VAT), and a cut of 25% in public sector salaries, depressed consumer demand and spending predictably. This increase in VAT also contributed to inflation of about 8% in 2010, the highest rate in the EU, with a notable jump in food and energy prices. However, inflation is widely expected to decrease in 2011, even as economic conditions improve led by relatively strong export performance and a gradual rebound in demand.

Despite the weak economic conditions, there are opportunities for American business in areas such as energy, agricultural equipment, environmental technologies, infrastructure, and ICT. As the economy recovers, additional opportunities will emerge in areas such as franchising, hotel and restaurant equipment, automotive parts, packaging, and other industrial equipment.

Successful entry into the Romanian market requires solid preparation, and market research is an important part of any business strategy. The balance of this report is intended to aid American companies in developing and executing new and increased sales to this important – if still transitional – new EU member state.

Market Challenges

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Romania removed its communist dictator more than twenty years ago, and yet the Romanian government still plays an outsized role in the economy in terms of employment, ownership of assets, and influence on the business environment. The public sector includes thousands of entities authorized to spend public funds, and consequently most sizable businesses rely on public sector demand. The question of whether this has crowded out private investment is somewhat academic; private demand has been extremely weak domestically, with growth in orders coming mainly from other European trading partners. As a practical consideration, U.S. exporters should be aware that conflicts of interest, questionable procurement practices, and problems of payment – even under contract -- are not infrequent issues when selling to the public sector.

The public sector is administered by a deep and inefficient bureaucracy, where few decisions can be made without several layers of approval. Even when fully authorized by their mandates, many Romanian government agencies seek a higher level of political approval, even informally, before making decisions. When such intervention is necessary to overcome this inertia, it creates an environment in which fraud and corruption can occur. The Romanian government has sought to reduce these opportunities by moving some government processes to on-line platforms, replacing the human interaction with “e-Government.” However, this transition remains in process.

Regulations and government decisions that affect business are often made with very little, if any, consultation of stakeholders. As a result, regulation and government directives sometimes appear internally contradictory, or produce unintended negative consequences. A lack of stability and bureaucracy prevent some of the measures meant to encourage business, such as a Public-Private Partnerships law and a program of investment incentives or “state aid,” from working as they should. The legal system does not provide the same predictable recourse nor enforceable sanctions against corruption as are found among older EU members.

The oversight of the IMF has brought greater accountability and discipline to public spending. This discipline includes some settling of arrears owed by the Romanian Government, which has demonstrated commitment to meeting the conditions of the IMF. The poor condition of Romania’s physical infrastructure -- including roads, rail, airports, and water and wastewater systems – affects business costs, productivity, public safety, and the country’s success in attracting foreign investment. In many cases the national government owns the infrastructure (rail, some airports), and in other cases (water utilities) county councils own the assets. The country’s connections to the rest of the EU’s transportation infrastructure are underdeveloped, keeping Romania from realizing its full potential for new investment, trade and tourism.

In the current economic environment, American exporters should be attuned to heightened commercial risks and consider their terms of trade carefully. Selecting the proper partner – whether as a distributor, licensee, or franchisee – is extremely important. Adequate due diligence can make the difference between a successful investment or distribution agreement, and a costly mistake.

Romania has not yet entered the “Euro zone,” and so most income is paid in the local currency, the *leu*. At the same time, many companies and consumers have debt denominated in euro, and most big-ticket consumer items (real estate, cars, major appliances) are priced in euro. In the last two years most Romanian borrowers have

been on the losing side of this exchange rate risk, with direct effects on their purchases and debt service.

Market Opportunities

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Despite these challenges, several underlying attributes of the economy allow it to keep forward momentum. These attributes also produce the medium term business opportunities for American companies who have experience and expertise in the areas demanded by Romania's stage of development.

Romania's membership in the European Union is one of its most persuasive advantages. As a relatively new (2007) member, Romania offers a sizable domestic market and a comparatively low-cost foothold for accessing the EU market. Much of the foreign investment in retail and some manufacturing has been based on these two elements. In addition to this larger market, Romania's membership makes it eligible for billions of euro in EU grant funding. The set of financial supports known as Structural Funds are available to support investment in physical infrastructure and many other types of projects, and require a co-financing component from the recipient, in addition to the national government.

In addition, Romania's location in Southeast Europe shortens the distance for export sales to Turkey, the Balkans, the Middle East and markets such as Ukraine and Russia. Several foreign manufacturers have moved into Romania, despite its economic recession, for this reason. Romania's powerful concentration of high-end software development and services is almost entirely export driven, serving regional or global markets.

Romania's stage of development and its requirement to conform to the standards of the EU drive many of the business opportunities for U.S. firms. Whether in response to directives from Brussels, to simply "catch up" to the rest of Europe, or to meet market potential, the U.S. Commercial Service sees the best prospects for sales in the following sectors, each of which is developed in greater detail later in this report.

- [Agricultural Machinery and Equipment](#)
- [Automotive Market](#)
- [Energy](#)
- [Environmental Technologies](#)
- [Healthcare](#)
- [Information Technology Market](#)
- [Packaging And Packaging Waste Market](#)

EU Funding

The EU has allocated approximately 27.5 billion euro to Romania for projects in areas ranging from transport and rural development, to energy and environment. However, Romania has a dismal record of availing itself of these funds. The rate at which it has been able to apply for, receive and contract for the use of these funds – or the "absorption rate" – is the lowest of all the 10 newest EU members, four years after

Romania attained membership. Access to these funds expires in 2015. At the end of 2009, Romania had absorbed only 16% of the EU funds available to it.

The problem is a combination of money and administrative capacity. Romanian authorities must improve their ability to design worthwhile projects meeting stringent EU guidelines as well as provide required co-financing. On some infrastructure projects, for example, expenses ineligible for EU funds (such as land acquisition) may equal up to half of the total project cost. The continuing challenge has been a lack of adequate administrative capacity and project management skills to plan, budget, obligate and spend these funds in an efficient, transparent and effective manner. Internal project review and approval procedures implemented by Romanian authorities are also multi-layered and cumbersome. This has produced a business opportunity for specialized consultants. The following table is drawn from a study by KPMG *EU Funds in Central and Eastern Europe*, and compares the experience of new EU members in contracting for EU funds.

Contracted ratio 2007-09 based on available budget 2007-13

Intervention type	Bulgaria	Czech Republic	Estonia	Hungary	Latvia	Lithuania	Poland	Romania	Slovakia	Slovenia	CEE
Economic development	33%	28%	54%	41%	28%	64%	31%	16%	28%	35%	32%
Energy	n/a	27%	19%	6%	38%	59%	1%	8%	41%	n/a	16%
Environment	26%	34%	53%	17%	n/a	52%	24%	19%	17%	n/a	25%
Healthcare	n/a	n/a	n/a	60%	40%	n/a	32%	n/a	41%	n/a	41%
Human resource development	20%	19%	53%	33%	69%	36%	36%	30%	36%	41%	33%
Public administration	40%	21%	n/a	28%	39%	39%	74%	16%	15%	80%	30%
R&D, innovation	n/a	11%	24%	14%	7%	48%	47%	27%	23%	66%	35%
Rural development and fisheries	20%	n/a	23%	40%	31%	26%	15%	17%	45%	41%	19%
Settlement development	29%	45%	32%	22%	50%	42%	23%	25%	1%	n/a	29%
Transport	11%	33%	66%	60%	55%	33%	13%	3%	22%	14%	23%
Technical assistance	41%	29%	20%	62%	35%	25%	20%	8%	49%	90%	31%
Total progress	23%	25%	44%	39%	38%	41%	23%	16%	27%	35%	26%

■ less than 70% of CEE contracted ratio
 ■ greater than 130% of CEE

Note: n/a indicates there is no separate priority for these types of interventions. In most cases it means practically that there are no funds available for that particular type of intervention.

There are always more needs and projects than available funding in Romania. American companies should examine the reliability of a buyer's financing arrangements. One method for identifying business opportunities is to find where one of the best prospect sectors (e.g. environment) intersects with a buyer's ability to access EU funding and arrange co-financing.

Market Entry Strategy

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A local business presence is essential to success in the Romanian market, and this can take the form of a distributor agreement, subsidiary, joint venture or acquisition. Regardless of the form of investment or entry strategy, American businesses considering the Romanian market should research their specific prospects thoroughly, perform due diligence, and be prepared to adapt their business models as necessary. Retaining legal counsel with solid knowledge of Romanian law is extremely important, and relationships with other service providers such as banks and accountants can provide excellent value as well. Selling through a local Romanian partner is a standard element of most entry strategies. Therefore, a U.S. company's success can hinge on

identifying, qualifying and selecting a partner with the resources and expertise to help accomplish its objectives.

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Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

Key link: <http://www.state.gov/r/pa/ei/bgn/35722.htm>

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Using an Agent or Distributor

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Local agents, distributors and joint venture partners can contribute significantly to the success of an American company by bringing knowledge of the market, industry experience, access to key contacts, and other resources. Selecting a distributor is a serious strategic decision, with long-term business and legal implications. When establishing a contract with a distributor or joint venture partner, American companies are advised to seek legal advice to draft a distribution agreement that is compliant with local regulations and standard business practices.

CS Romania advises against relying on internet searches, association lists, or other passive methods for finding a partner. Through its International Partner Search and Gold Key Service, CS Romania helps U.S. companies find and qualify prospective agents, distributors or representatives, and can perform background checks on Romanian companies through the International Company Profile.

Key links: [International Partner Search](#), [Gold Key Matching Services](#) and [International Company Profile](#).

Establishing an Office

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Opening a local office in Romania involves several steps:

1. Choose the type of company

General Partnership (SNC): A general partnership can involve two or more partners. The partnership relationship is based upon a contract, and any person who is able to enter into a binding contract may enter into a partnership. The parties must register their partnership with the National Trade Registry Office in the Ministry of Justice.

Limited Partnership (SCS): As with other jurisdictions, a limited partnership consists of one or more general partners, who manage the business of the partnership, and one or more limited partners who contribute capital (money or other property) to the partnership, but do not participate in its management. Generally, limited partners are not liable for the debts and obligations of the partnership beyond their contributions to the registered capital.

Joint-Stock Company (SA): A joint stock company is a limited liability corporation with registered capital of at least \$960 and at least five shareholders. Shares can be nominative shares or bearer shares, and can be freely traded or pledged. A joint stock company may be set up privately or by public subscription. A privately held company is required to have a Memorandum of Association. At the time of the company's registration, each shareholder must pay at least 30% of his/her portion of the registered share capital, with the remaining 70% paid within a maximum of 12 months.

Limited Partnership by Share (SCA): The capital is divided into shares and the obligations are guaranteed by the capital and by the unlimited and joint liability of the general partners. The limited partners are liable only for the payment of their shares.

Limited Liability Company (SRL): A limited liability company is a company formed by a limited number of partners (no more than 50). The registered share capital of an SRL is normally divided into shares with a registered value of not less than 10 RON each. Shares cannot be freely traded, making limited liability companies similar to what are known as private companies in other legal systems. Shares of these companies cannot be pledged as collateral for loans.

Representative Offices: Foreign companies may open representative offices in Romania following registration with the Department of Foreign Trade in the Ministry of Economy. Representative offices cannot carry out commercial activities on their own behalf, but are entitled to promote and supervise the business of their parent organizations.

Branches: Foreign companies may establish branches in Romania. They must be registered with the appropriate trade registry, relative to the location of their office.

2. Determine location of headquarters

Foreign companies are required to have as a headquarters a physical location (not a postal address as in the United States) that is the property of or in use by one or more partners or shareholders.

3. Register the name of the company

The company's name is registered with the Trade Registry in the jurisdiction where the company is to be located.

4. Authenticate constitutive documents

General partnerships and limited liability partnerships are set up through a contract of company. Joint-stock companies, limited partnerships with shares and limited liability companies are set up through a contract of company and articles of incorporation. The signatories to the articles of incorporation are considered founders. The company must have a "Constitutive Document," (Articles of incorporation) which sets the rights and obligations of the shareholders, the object of activity of the company, the quorum required for the adoption of different resolutions, the dissolution procedure, and so forth.

5. Company's account

A company account is opened in the registered name of the company in order to deposit the share capital. The amounts depend on the form of business organization, but as an example, a limited liability company has a minimum starting capital of RON 200 (approximately \$60).

6. Other required legal documents

Other documents are required, such as fiscal records.

7. Submission of the complete dossier to the One Stop Office

Once the application, or *dossier*, is complete, it is submitted to the One Stop Office in the proper jurisdiction. The One Stop Office falls under the National Trade Register Office of the Ministry of Justice.

The forms of business most commonly used by foreign investors are limited liability company (SRL), the joint stock company (SA) and the branch of a foreign parent company. Representative offices are often used as a market entry tactic, allowing a company to assess opportunities before making a more substantial investment.

Companies who plan to use distribution, franchising and agency arrangements need to ensure that the agreements they put into place are in accordance with European Union (EU) and Member State national laws. Council Directive 86/653/EEC establishes certain minimum standards of protection for self-employed commercial agents who sell or purchase goods on behalf of their principals. The Directive establishes the rights and obligations of the principal and its agents, the agent's remuneration, and the conclusion and termination of an agency contract, including the notice to be given and indemnity or compensation to be paid to the agent. U.S. companies should be particularly aware that the Directive states that parties may not derogate certain requirements. Accordingly, the inclusion of a clause specifying an alternate body of law to be applied in the event of a dispute will likely be ruled invalid by European courts.

Key Link: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31986L0653:EN:HTML>

The European Commission's Directorate General for Competition enforces legislation concerned with the effects on competition in the internal market of such "vertical agreements." Most U.S. exporters are small- and medium-sized companies (SMEs) and are exempt from the regulations because their agreements likely would qualify as "agreements of minor importance," meaning they are considered incapable of affecting

competition at the EU level. Generally speaking, companies with fewer than 250 employees and an annual turnover of less than €50 million are considered small- and medium-sized. The EU has indicated that agreements that affect less than 10% of a particular market are generally exempted as well (Commission Notice 2001/C 368/07).

Key Link:

http://eur-lex.europa.eu/LexUriServ/site/en/oj/2001/c_368/c_36820011222en00130015.pdf

The EU addresses the problem of payment delays with Directive 2000/35/EC. This covers all commercial transactions within the EU, whether in the public or private sector, primarily dealing with the consequences of late payment. Transactions with consumers, however, do not fall within the scope of this Directive. The Directive entitles a seller who does not receive payment for goods/services within 30-60 days of the payment deadline to collect interest (at a rate of 7 % above the European Central Bank rate) as compensation. The seller may also retain the title to goods until payment is completed and may claim full compensation for all recovery costs.

Key Link:

<http://ec.europa.eu/enterprise/policies/single-market-goods/fighting-late-payments/>

Companies' agents and distributors can take advantage of the European Ombudsman if they are the victims of inefficient management by an EU institution or body. Complaints can be made to the European Ombudsman only by businesses and other bodies with registered offices in the EU. The Ombudsman can act upon these complaints by investigating cases in which EU institutions fail to act in accordance with the law, fail to respect the principles of good administration, or violate fundamental rights.

Key Link: <http://www.ombudsman.europa.eu>

Franchising

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Franchising regulations in Romania are much the same as in other countries, granting the franchisee the right to operate or develop a business, product, technology or service. The contract, or Franchising Agreement, reflects the interests of the members of the franchise network, and protects the franchiser's industrial or intellectual property rights by maintaining the common identity and reputation of the franchise network. The franchising agreement must define clearly the obligations and liabilities of all parties, and must contain the following elements: object of the contract, rights and obligations of the parties involved, financial clauses, contract duration, clauses related to modification, extension, and cancellation of the agreement.

The dramatic growth of franchises between 2000 and 2007 reflected the pent-up consumer demand, while the severe retrenchment between 2009 and 2010 in the face of a recession shows the importance of choosing the right franchise partner.

In 2010, real estate franchises in Romania reported the most severe drop (70%) in revenue. Fashion retailers were also heavily affected by the economic downturn, declining by 50%. Remaining franchises in Romania reported an average decline of 20%.

Between 2008 and 2010, the perception of Romania by international franchises moved from “emerging market” to “Balkan transition economy.” While not flattering, the reputation reflects the close ties of Romania’s franchise industry with other Southeast European markets, such as Greece. Franchise companies are often based in markets such as Greece, and aggregate the Balkan area to reach the market size necessary for their franchise models. This region has been gravely affected by various economic crises, and these difficulties have been passed through to the local market. The Romanian franchise market contracted 20% in 2010, but is expected to have a weak rebound in 2011.

American Franchises in Romania

American franchises still represent a large number of brands and strong market share, accounting for more than 20% of international brands on the Romanian market, with European brands growing swiftly. European concepts prevail in retail franchises, while American brands are most evident in food concepts, such as: Quiznos, Burger King, and Starbucks.

The U.S. Commercial Service remains positive on the long term prospects for American franchises in Romania, especially in areas outside of food concepts. However, realizing success in the Romanian market usually requires the American franchise to modify its “standard” franchise agreement to reflect local market conditions. Timetables, minimum numbers of units, and fees and royalties should all be evaluated against local market data. Even more important is finding the right local partner who understands the business concept and can execute it well. Finding local entrepreneurs with the capital to pay a franchisee fee is not as difficult as identifying those with the expertise and acumen to introduce and grow a new franchise successfully. Competition for the attention of this latter group is keen, and American franchises are evaluated against European rivals.

Direct Marketing

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The Romanian Direct Marketing Association (ARMAD) is a member of the Federation of European Direct Marketing (FEDMA) and the European E-commerce and Mail Order Trade Association (EMOTA).

There are more than 30 direct marketing companies who are also members of ARMAD. The direct marketing industry is just developing, but has been growing among Romanian companies for whom the methods offer a business marketing solution. Romania does not have a national “do-not-call list”, but in 2007 a “do not mail” list was implemented by the Romanian Direct Marketing Association.

There is a wide range of EU legislation relevant to the direct marketing sector. Compliance requirements are most rigorous for marketing and sales to private consumers, and place an emphasis on the clarity and completeness of the information marketers provide consumers prior to purchase, and on their collection and use of customer data. The following gives a brief overview of the most important provisions of EU-wide rules on distance selling and on-line commerce. We recommend American companies consult the information available via the hyperlinks, and contact the U.S.

Commercial Service at the U.S. Mission to the European Union for more specific guidance.

Processing Customer Data

The EU has strict laws governing the protection of personal data, including the use of such data in the context of direct marketing activities. For more information on these rules, please see the privacy section above.

Distance Selling Rules

- Distance and Door-to-Door Sales

The EU's Directive on distance selling to consumers (97/7/EC) sets out a number of obligations for companies doing business at a distance with consumers. Before concluding a contract, direct marketers must identify themselves clearly, provide information about their supplier, full details of price and delivery, and the period for which an offer remains valid. Customers generally have the right to return goods without any required explanation within seven days, and retain the right to compensation for faulty goods thereafter. Similar in nature is the Doorstep Directive (85/577/EEC) which is designed to protect consumers from sales occurring outside of normal business premises (e.g., door-to-door sales).

Key Link: http://ec.europa.eu/consumers/cons_int/safe_shop/index_en.htm

- Distance Selling of Financial Services

Financial services are the subject of a separate Directive that came into force in June 2002 (2002/65/EC). This piece of legislation ensures that consumers are appropriately protected with respect to financial transactions taking place where the consumer and the provider are not face-to-face. In addition to prohibiting certain abusive marketing practices, the Directive establishes criteria for the presentation of contract information. Given the special nature of financial markets, specifics are also laid out for contractual withdrawal.

Key Link: http://ec.europa.eu/consumers/cons_int/fina_serv/index_en.htm

Direct Marketing over the Internet

The e-commerce Directive (2000/31/EC) imposes certain specific requirements connected to the direct marketing business. Promotional offers must not mislead customers and the terms that must be met to qualify for them have to be easily accessible and clear. The Directive stipulates that marketing e-mails must be identified as such to the recipient and requires that companies targeting customers on-line must regularly consult national opt-out registers where they exist. When an order is placed, the service provider must acknowledge receipt quickly and by electronic means, although the Directive does not attribute any legal effect to the placing of an order or its acknowledgment. This is a matter for national law. Vendors of electronically supplied services (such as software) must also collect value added tax (see the Electronic Commerce section that follows).

Key Link: http://ec.europa.eu/internal_market/e-commerce/index_en.htm

Joint Ventures/Licensing

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U.S. companies may enter the Romanian market as partners with Romanian counterparts or may operate 100% foreign-owned companies. Many foreign companies involved in local manufacturing do so under joint-venture agreements. The main advantages offered by joint ventures include quick market access through the knowledge, relationships, and existing capacities of the local partner. The potential disadvantages of joint ventures include the loss of complete control, the failure of anticipated synergies, the costs and difficulties of integration, and the difficulty of pursuing effective legal remedies in the event of malfeasance by the partner.

Selling to the Government

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The Romanian Government adopted public procurement law, Emergency Ordinance 34/2006, in order to align its legislation with EU standards. This ordinance was amended in 2009 and 2010. The most recent update shortened the deadlines and changed the process for contesting procurement procedures and awards. The Government maintains an electronic system for public acquisitions in an effort to provide a fully transparent procurement process. A government decision passed in March 2010 requires public authorities to use the e-procurement system for at least 40% of their procurements.

The EU public procurement market, including EU institutions and Member States, is regulated by two Directives:

- Directive 2004/18 on Coordination of procedures for the award of public works, services and supplies contracts, and
- Directive 2004/17 on Coordination of procedures of entities operating in the Utilities sector, which covers the following sectors: water, energy, transport and postal services.

There are directives regarding remedies for companies who face discriminatory public procurement practices. These directives are implemented in the national procurement legislation of the 27 EU Member States.

The U.S. and the EU are signatories of the World Trade Organization's (WTO) Government Procurement Agreement (GPA), which grants access to most public supplies and some services and works contracts published by national procuring authorities of the countries that are parties to the Agreement. In practice, this means that U.S.-based companies are eligible to bid on contracts from European public contracting authorities above the agreed thresholds.

However, there are restrictions for U.S. suppliers in the EU utilities sector both in the EU Utilities Directive and in the EU coverage of the Government Procurement Agreement (GPA). The Utilities Directive allows EU contracting authorities in these sectors to either

reject non-EU bids where 50% of the total value of the goods constituting the tender originates in non-EU countries, or to apply a 3% price difference to non-EU bids in order to give preference to the EU bid. These restrictions are applied when the U.S. does not offer reciprocal access for EU companies in the U.S. market. Those restrictions were waived for the electricity sector.

For more information, please visit the website of the U.S. Commercial Service at the U.S. Mission to the European Union, and the section dedicated to EU public procurement. This site also has a database of all European public procurement tenders that are open to U.S.-based firms by virtue of the Government Procurement Agreement.

Key Links:

<http://www.e-licitatie.ro>

http://www.buyusa.gov/europeanunion/eu_tenders.html

Distribution and Sales Channels

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Distribution of goods and services in Romania is similar to other European countries. Wholesale and retail tiers, and support services such as packaging, warehousing and merchandising, are fully developed in Romania. Retail outlets, franchisees, and value-added resellers serve as channels for the provision of services ranging from mobile phone service, consulting or software and IT.

Romania's range of retail outlets is likewise European and includes specialty shops, supermarkets, hypermarkets, cash and carry, department stores, gas station convenience stores, and do-it yourself shops, kiosks, street vendors, open-air markets and wholesale centers. Despite the rapid growth of shopping malls and hypermarkets, many urban consumers still rely on small shops and markets for daily shopping.

Romania is one of the top targets in Eastern Europe for retailers like Metro, Carrefour and Selgros, whose local large-format stores provide the biggest sales increases for their chains. For several years the local market has been dominated by Carrefour and Cora on the hypermarket (or Big Box) segment, while Metro and Selgros have competed on the cash and carry market. Several of these have plans to continue their expansion, but on a scale tempered by the economic downturn.

Other foreign supermarkets also have a good share of the Romanian market. These include Billa, Gima, Auchan, Kaufland, Mega Image (Delhaize Group), and Artima.

Selling Factors/Techniques

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Price, payment terms, value and quality are critical factors for success in Romania's business and consumer markets. In almost any business domain, European competitors exist and enjoy the advantages of tariff free status within the EU. American firms may not always compete on price but need to demonstrate a clear value proposition. Proven products or services with benefits that emphasize cost-savings, efficiencies or – for distributors – profitability and reliability, will stand the best chances of market success.

Romania has seen income growth in recent years, and an expansion in consumer credit, but average incomes remain relatively low. Comparing Romania to other nations on the

basis of GDP per capita adjusted for Purchasing Power Parity (PPP) ranks the nation above countries like Brazil, South Africa, and neighboring Ukraine, but below Bulgaria, Turkey and Mexico. A small but relatively affluent segment of the population has driven retail development, real estate, and the sale of luxury or “premium brand” goods. Current economic conditions recommend prudence to U.S. companies pursuing this segment of the market, but as economic growth returns, these prospects will improve. Market entry plans should be informed by specific and timely intelligence, as well as a careful evaluation of a prospective partner’s financial condition.

Electronic Commerce

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After a slow start, Romanian electronic commerce is growing faster than the economy in general. Romcard, a leading processor of online transactions, reports that 2010 recorded 2.26 million transactions representing a value of 127 million euro, a 38% increase compared to 2009. Numerous local retail stores with a successful physical presence are now adding a website to boost sales in a difficult economy, while others are improving the functionality of their sites. Statistics from Romanian integrator GECAD ePayment indicate that the main industries processing online transactions are telecom, tourism, utilities, services, retail and entertainment.

As in other countries, e-commerce solutions that rely on existing payment relationships have been successful in Romania. The country’s large number of mobile phone subscribers provides a ready base of shoppers for telecom providers such as Orange, Vodafone, and Cosmote. Each provide the ability to check bank balances, pay bills and purchase calling credit online.

The EU applies Value Added Tax (VAT) to sales by non-EU based companies of Electronically Supplied Services (ESS) to EU based non-business customers. American companies that are covered by the rule, such as those based in the U.S. and selling ESS to EU-based, non-business customers must collect and submit VAT to EU tax authorities. There are a number of compliance options for businesses. The Directive created a special scheme that simplifies registering with each member state, and allows companies to register with a single VAT authority of their choice. Companies have to charge different rates of VAT according to where their customers are based, but VAT reports and returns are submitted to just one authority. The VAT authority responsible for providing the single point of registration service is then responsible for reallocating the collected revenue among the other EU VAT authorities.

Romanian consumer attitudes toward e-commerce are difficult to decipher, as the results of two different studies indicate. According to a study by Gemius in partnership with telecom carrier Orange (October 2009), fifty percent of Romanian internet users have shopped online, an apparent increase of 22% over the last 3 years. However, 50% of Romanian internet users remain suspicious about buying anything online. It is hard to determine whether the country’s internet users are evenly split among shoppers and non-shoppers, or whether some users shop despite their misgivings about security. A second study, the European Commission’s “Europe’s Digital Competitiveness Report” published at the end of 2010, gives Romania an internet penetration rate of 42%, and describes a country of shopping enthusiasts. According to the EC study, more than two thirds of Romanian internet users have a positive attitude toward shopping online, while only 6% dislike it. This result distinguishes Romania from such countries as Lithuania

and Poland, where the survey indicated one in five internet users are decidedly against online shopping.

Nearly half of Romanian internet users who responded (47%) shop online several times a year. One third of those users do not plan to reduce their activity, while another third report they plan to shop online more frequently.

Despite the enthusiasm these studies revealed, two obstacles continue to retard the growth of e-commerce infrastructure and deployment: a relatively low rate of credit card ownership, and the prevalence of online fraud and cybercrime.

In 2011 there are two major factors that will have a large impact on the Romanian e-commerce scene. The Ministry of Communications and Information Society (MCIS) will launch the National Electronic System for paying taxes online (SNEP), adopted by Governmental Decision. SNEP will allow all citizens to pay their taxes online in every corner of the country. The second factor is represented by a Call for Projects that MCIS will open for e-commerce. With this action, substantial funding will be available for the e-commerce business in Romania.

(Source: www.trafic.ro)

Key Links:

<http://www.adevarul.it/stiri/actualitate/comertul-online-crescut-38-romania-2010>

<http://www.ziarulfacila.ro/Comer%C5%A3ul-electronic-a-explodat-%C3%AEn-2010+49101>

<http://www.ziare.com/articole/rata+penetrare+internet+romania>

Trade Promotion and Advertising

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The variety and quality of Romanian advertising is similar to that of other European countries. As in the rest of Europe, the industry has suffered from decreased spending in the recent recession. Total advertising expenditures were approximately 339 million euro in 2009, with 222 million of this, roughly 65%, spent on television advertising, according to estimates by Initiative Media Romania's *Media Fact Book 2010*. The same source stated that in 2010, advertising spending in the local media market decreased to approximately 308 million euro.

Multinational companies represent a large share of spending. New media and combinations of media continue to develop to respond to audience segmentation using several forms: internet and social networking, digital TV, mobile telephony, radio, and print, etc.

Television

By the end of 2009 the number of the measured TV channels increased to 52 (from 44 in 2008). In 2009 and the first quarter of 2010 there were over 600 radio licenses issued, a decline versus 2008 when there were more than 700.

The TV market in 2010 was structured as follows (urban audience, provided by GfK Romania/ARMA):

Station	Owner	Rating (% of viewers)	Viewers in thousands
Pro TV	CME/Adrian Sarbu	3.0	339
Antena 1	Intact/Voiculescu Family	2.0	235
Realitatea TV	Realitatea/Sorin Ovidiu Vantu	1.3	144
Antena 3	Intact/Voiculescu Family	1.0	116
TVR1	Public	1.0	114
Kanal D	Dogan Media	0.9	109
Acasa	CME/Adrian Sarbu	0.9	101
Prima TV	SBS Broadcasting	0.8	87
National TV	Necula Brothers	0.6	68
Disney Channel	Disney-ABC	0.6	65

Among Romanian television stations, ProTV marginally increased its number of viewers in 2010 by 2,000 individuals, reaching an average of 339,000. The main public station (TVR 1) maintained its fifth place position while as a complete novelty, a child and youth TV station reached the Top 10 TV stations with an average of 65,000 viewers in 2010, pushing OTV to the 11th position.

Press

The best-known English-language business publications are:

- *Quarterly Bulletin* (economic, financing, monetary and credit trend information and statistics), published by the National Bank;
- *Statistic Bulletins* (on various topics), published by the National Institute of Statistics;
- *Romanian Insights* (monthly), published by the Romanian Chamber of Commerce and Industry;
- *The Diplomat* (monthly), published by Diplomat Media Group
- *Business Review* (weekly), published by Business Media Group SRL;
- *Nine O'Clock* (daily), published by Nine O'Clock Publications;
- *Romanian Business Journal* (weekly), published by Penta;
- *Ziarul Financiar* (daily) published by MediaPro. (only one page in English)

The following table presents a comparison of major Romanian newspapers in daily sales (total circulation - copies) between the 3rd quarter of 2010 and 2009. The figures come from BRAT (Romanian ABC).

The three leading newspapers accounted for 57% of total sales in the 3rd quarter of 2010. Except for increases by two relatively small papers, *Financiarul* (financial newspaper) and *Ziarul Lumina*, owned by the Romanian Orthodox Church, sales of all other newspapers decreased compared to the same period in 2009. Three of the five top-selling newspapers in Romania are tabloids.

Magazine sales to men are strongly oriented to TV guides and automotive themes, while Romanian females consume weekly mass-market magazines targeting women (many of them brand extensions of already established newspapers).

A number of international glossy magazines are present in Romanian both for women (*Elle, Cosmopolitan, Harper's Bazaar, Marie Claire, Glamour*) and men (*FHM, Men's Health, GQ, Esquire*).

Budget limitations meant advertisers decreased their media expenditures or reallocated them to other media types. The traffic figures for the top ten print publications with online versions show an increase in the average number of page impressions and visits per month in the first quarter of 2010 compared to 2009. This suggests that readers may be substituting online for printed forms.

Clients consolidated their advertising expenditures in established titles with nationwide distribution. This produced market share increases for those publishers with a large and integrated portfolio.

The Romanian media market also contains some important daily "free sheets" (free newspapers) among which the most important are *Adevarul de Seara* and *Ring*. The decrease in advertising spending is likely to limit the launch or breadth of circulation of free newspapers. Several free magazines are distributed, both free city-guides (*24-FUN, Sapte Seri, Zile si Nopti*) offering localized content, as well as those of pharmacy chains and major real-estate companies.

The system of procurement for outdoor advertising is somewhat opaque, but forms include billboards, backlit and dynamic models (such a street-TV). The future of large mesh format advertising is uncertain, as these have been the subject of restrictive ordinances by the City of Bucharest and the national government. Advertising inside public transportation (subway, tram and buses) and its stations is common, if not consistent, and is similarly an area of questionable tendering practices.

Radio

The Radio Market (audience share, urban 11+) in Romania was structured - according to a survey conducted by IMAS during May and August 2010 – as follows:

Radio Station	Market Share %
Radio Kiss FM	14.7
Radio Romania Acutalitati	14.2
Radio Europa FM	13.1
Radio ZU	11.4
Radio Romania Regional	7.7
Radio 21	5.2
All other	33.7

Most major multinational advertising and public relations agencies are represented in Romania, including Ogilvy & Mather, McCann-Erickson, Lowe & Partners (IPG member), Tempo Advertising, Graffiti/BBDO, Saatchi and Saatchi, Young and Rubicam, Leo Burnett and Publicis.

Specialized market research and testing are available from independent suppliers, both Romanian and international, as well as from established Romanian institutes and organizations such as BRAT, the Institute of World Economy, and the Romanian Chamber of Commerce and Industry (<http://www.ccir.ro>).

General Legislation

Misleading advertising is defined as any "advertising which in any way, including its presentation, deceives or is likely to deceive the persons to whom it is addressed or whom it reaches and which, by reason of its deceptive nature, is likely to affect their economic behavior or which for those reasons, injures or is likely to injure a competitor."

The EU's Television without Frontiers Directive specifies legislation on broadcasting activities allowed within the EU. Since 2009 the rules have allowed for US-style product placement on television as well as the split-screen format, and lifted the three-hour per day maximum advertising time. However, a 12-minute/hour maximum limit remains. Children's programming is subject to a code of conduct that includes certain restrictions on advertising to children.

Product specifications given in advertising are considered as legally binding on the seller. (For additional information on Council Directive 1999/44/EC on the Sale of Consumer Goods and Associated Guarantees, see the legal warranties and after-sales service section below.)

Key Link:

http://ec.europa.eu/comm/consumers/cons_int/safe_shop/fair_bus_pract/index_en.htm

Pricing

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Pricing structures in Romania are similar to those used in most other countries: prices are increased by wholesale and retail markups as well as by taxes, especially the Value Added Tax (VAT) that climbed from 19% to 24% as of July 2010. Product pricing is influenced primarily by existing competition in the Romanian market, as well as by the liquidity of the market. Common consumer goods are price-sensitive, and competition can be fierce, as local producers compete with products from China, Southeast Asia and Turkey. In the case of higher quality goods, the reputation of a brand -- as well as technical specifications or length of warranties -- can command a price premium in the market. However, U.S. companies should not take awareness of their brands for granted.

Romania had an inflation rate of 8% in 2010. The National Bank of Romania's target rate for 2010 of 3.5% \pm 1pp was missed mainly because of the hike in VAT which became effective as of July 2010. Increases in food prices (+0.73%) and fuel prices (+2.82% for total fuels, and +4.0% for gasoline) were additional drivers of overall inflation. The NBR envisions inflation to re-enter the variation band around the 3% central bank target and to lower its policy rate to 5.50% by the end of 2011.

In addition to taking inflation into account, U.S. exporters should take the opportunity to assess the competitive strength of their currency strategies and terms of sale. The ability to quote prices in local currency, especially for U.S. firms with local accounts payable,

could provide an edge with existing and new accounts. Likewise, exporters offering credit terms instead of requiring Letters of Credit or cash in advance can realize greater sales success. There are numerous banks in the U.S. and Romania offering appropriate trade finance tools to manage both currency and payment risk. The U.S. Export-Import Bank, and private providers, offer credit insurance for Romanian buyers as well. The costs of these products should be factored into the export price.

Sales Service/Customer Support

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The concepts of after-sales customer service and support are still developing among Romanian businesses, but large multinationals are providing leadership in this area. As a consequence, Romanian consumers are increasingly sensitive to the quality of after-sales services in making their buying decisions. American firms generally hold an advantage in this area, but local partners may prove the weak link that damages brand perception. U.S. companies should be prepared to work closely with local partners (distributors, value-added resellers) to help them develop their service and support capabilities.

Legal provisions regarding sales, service and customer support are currently in line with European Union provisions. There have been discrepancies among EU member states in product labeling, language use, legal guarantees, and liability. The relevant EU institutions continue to pursue harmonization of national legislation, and this is an area that U.S. suppliers should monitor closely.

Product Liability

Under a 1985 directive on liability of defective products, amended in 1999, the producer is liable for damage caused by a defect in his product. The victim must prove the existence of the defect and a causal link between defect and injury (bodily as well as material). A reduction of liability of the manufacturer is granted in cases of negligence on the part of the victim.

Key link: http://ec.europa.eu/enterprise/policies/single-market-goods/documents/liability/index_en.htm

Product Safety

The 1992 General Product Safety Directive was revised in 2001 to include an obligation on the producer and distributor to notify the Commission in case of a problem with a given product and provisions for its recall.

Key link: http://ec.europa.eu/consumers/safety/prod_legis/index_en.htm#gpsd

Legal Warranties and After-sales Service

Under the EU Directive on the Sale of Consumer Goods and Associated Guarantees, companies are required to provide a minimum two-year warranty on all goods sold to consumers. The remedies available to consumers in case of non-compliance are:

- repair of the good(s);

- replacement of the good(s);
- a price reduction; or
- rescission of the sales contract.

Key link:

http://ec.europa.eu/comm/consumers/cons_int/safe_shop/guarantees/index_en.htm

Protecting Your Intellectual Property

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Romania has implemented relevant EU directives related to intellectual property and is a founding member of the World Intellectual Property Organization (“WIPO”). Further, the country has adhered to almost all enactments on intellectual property binding the World Trade Organization member states. The competent authorities are the Romanian Office for Patents and Trademarks (“OSIM”) and the Romanian Copyright Office (“ORDA”). It is important for American companies to have an active strategy for managing their intellectual property rights in Romania. Intellectual property is protected differently in Romania than in the U.S., and rights must be registered and enforced under local laws, which have been EU-harmonized. The U.S. Commercial Service can provide introductions to local lawyers and IPR consultants who can provide professional advice regarding registering, protecting and enforcing IPR.

A company’s IPR strategy should be founded on a positive relationship with its local partner, who is an important ally in protecting its IPR. A distribution agreement or other contract should include non-competition, confidentiality and non-disclosure clauses, but just as importantly provide clear incentives to honor the contract. Cost structures and margins should reinforce these incentives.

Trade associations and other business groups can augment a company’s ability to protect IPR and stop counterfeiting and leverage the efforts of its industry. Several organizations are active in the Romanian market:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)
- Business Software Alliance (BSA)

Some excellent general resources for companies regarding intellectual property, not specific to Romania, include the following:

- For information about patent, trademark, or copyright issues, including enforcement issues in the U.S. and other countries, call the STOP! Hotline: 1-866-999-HALT or register at www.StopFakes.gov.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the U.S. Patent and Trademark Office (USPTO) at: 1-800-786-9199.

- For more information about registering for copyright protection in the U.S., contact the U.S. Copyright Office at: 1-202-707-5959.
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: www.StopFakes.gov

Patents

OSIM handles patent applications, and the European Patent Convention lays down the procedural rules for a European patent application to confer protection in Romania. Pursuant to the Patents Law, the subject matter of an invention may be a product or process in any technological field. In order to be patentable, it must be novel, imply an inventive activity and have an industrial application. The protection period of a patent is 20 years from the accepted filing date of a complete application. Upon expiry of protection, the invention is considered in the public domain. The patent confers upon its holder exclusive rights over the invention for the entire duration of the patent. Patent holders can obtain a supplementary protection certificate for medical products and plants for a maximum period of 5 years, under the relevant EC Regulations directly applicable in Romania.

EU countries have a "first to file" approach to patent applications, as compared to the "first to invent" system currently followed in the United States. This makes early filing a top priority for innovative companies. Unfortunately, it is not yet possible to file for a single EU-wide patent that would be administered and enforced like the Community Trademark (see below). The most effective way for a company to secure a patent across a range of EU national markets is to use the services of the European Patent Office (EPO) in Munich. It offers a one-stop-shop that enables rights holders to get a bundle of national patents using a single application. However, these national patents have to be validated, maintained and litigated separately in each Member State.

Key Links: http://ec.europa.eu/internal_market/indprop/index_en.htm
<http://www.european-patent-office.org/>

Trademarks

Trademark protection in Romania is obtained by filing a national application to OSIM. The trademark granted then confers protection in Romania. Also, a community trademark application may be filed either directly at OHIM, or via OSIM. The community trademark granted confers rights in all EU Member States.

The law also protects well-known trademarks even if they are not registered with OSIM, OHIM or WIPO (the latter having Romania as designated country). However, the burden of proof as to whether a trademark is well-known always lies with the trademark holder.

The registration certificate is granted following the filing of an application and the examination by the competent authority to determine whether there are any absolute for rejection. If there are no grounds for rejection, OSIM, OHIM or WIPO (depending on which of the three abovementioned authorities receive the application) will register the trademark in the relevant Trademark Registry and grant the trademark certificate, valid for ten years and renewable for equal periods subject to the payment of the applicable fees. Any interested person may file an opposition to the registration of the trademark for which an application was filed, based on the absolute or relative grounds for rejection

Key Links: <http://oami.europa.eu/>
<http://www.wipo.int/madrid/en>
<http://www.osim.ro>

Copyright

Romanian Law # 8/1996 on copyright and neighboring rights ("Copyright Act") provides the national regulatory framework for these issues, and Romania is a signatory to the Berne Convention for the Protection of Literary and Artistic Works and the WIPO Copyright Treaty.

Organizations which help manage copyrights, for example representing the interest of composers, writers and producers, and which negotiate the copyright licenses with users are important partners in maintaining an effective business environment for rights holders.

Subsequent amendments strengthening the Copyright Act, as well as promoting better efficiency on the part of the national police, and the heightened attention of the General Prosecutor's Office to IPR enforcement have helped combat counterfeiting and piracy. However, enforcement still remains a problem and accordingly Romania remained on the USTR's "lower level" Special 301 Watch List in 2010.

The EU's legislative framework for copyright protection consists of a series of Directives covering areas such as the legal protection of computer programs, the duration of protection of authors' rights and neighboring rights, and the legal protection of databases. Almost all Member States have fully implemented the rules into national law; and the Commission is now focusing on ensuring that the framework is enforced accurately and consistently across the EU.

The on-line copyright Directive (2001/29/EC) addresses the problem of protecting rights holders in the online environment while protecting the interests of users, ISPs and hardware manufacturers. It guarantees authors' exclusive reproduction rights with a single mandatory exception for technical copies (to allow caching), and an exhaustive list of other exceptions that individual Member States can select and include in national legislation. This list is meant to reflect different cultural and legal traditions, and includes private copying "on condition right holders receive fair compensation."

Key Link: http://ec.europa.eu/internal_market/copyright/index_en.htm

Counterfeit

While problems persist in protecting IPR from counterfeit products, OSIM, law enforcement, and private groups have increased their efforts to combat counterfeiting while informing the business community of how best to protect and enforce IPR protections.

Protection of Intellectual Property Rights during Customs Procedures

According to the EU Council Regulations, intellectual property rights holders may apply to the Customs Authority requesting action against goods infringing their rights. Goods

infringing an intellectual property right may not be imported, exported, or re-exported and may be placed under a suspension. Such merchandise may be destroyed or, subject to the consent of the right-holder, they may be given to non-profit organizations, depending on the nature of goods.

In order to receive this protection, the rights holder files an application for intervention with the National Customs Authority. This is an inexpensive and simple procedure for the registration of a trademark with the customs authority. Once the trademark is registered, the Customs Authority will quickly alert the rights holder in the case of a possible infringement, and prevent any article infringing the trademark from entering Romania.

Key Link: <http://www.osim.ro/index3.html>

Due Diligence

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Romania offers attractive opportunities for investment, acquisition, and business partnerships ranging from joint ventures and licensing agreements to distributorships and franchises. However, with these new opportunities come new risks. There are few activities more important in Romania than conducting due diligence on potential investments or business partners.

The U.S. Commercial Service advises American firms to engage reputable legal counsel, and maintains contact with such firms, both international and Romanian. Legal advisers are retained for the usual work of incorporation, obtaining permits, IPR registration, contract preparation, collection and commercial disputes, but are also an excellent resource for identifying potential problems based on their experience in the market.

The Romanian justice system continues to be slow and bureaucratic, and despite some progress the best strategy is to avoid commercial litigation if at all possible. When possible, contracts should provide for international arbitration.

Romanian bankruptcy legislation provides creditors the ability to force insolvent companies into either reorganization or liquidation. If a company is able to overcome its inability to pay its debts by reorganization, it may not have to go into liquidation. Nevertheless, if the reorganization is not successful, the judge will order the start of liquidation procedures. Unfortunately, the lack of specialization of judges and lawyers in the bankruptcy field makes it difficult to bring such cases to court, and to obtain consistent outcomes. This procedure has been reformed by a law passed in December 2009, which provides for a debt settlement mechanism- Company Voluntary Agreements- which may be used to establish debt servicing schedules without resorting to bankruptcy.

Even though due diligence is substantially based on the analysis of documents provided by the investor's counterpart, information from public sources should not be underestimated. There is a wide range of public sources such as the Trade Registry, the Land Book, the Electronic Archive for Pledge Agreements, and the Credit Bureau.

Perhaps the most complicated part of a legal due diligence is the review of information regarding assets, especially real estate. Apart from the fact that it takes time and skill to

identify and collect the relevant documents, it is essential to fully comprehend their legal effects, in particular when it comes to the historical transfer of ownership, by spotting the deficiencies that might lead to legal hazards, and finally to advise the investor on the most effective approach of such data in negotiating the transaction.

The most complex legal due diligence operations have been in real estate transactions, banking transactions, mergers and acquisitions, and privatizations. As a consequence, Romanian law firms have acquired a considerable expertise, and a better understanding of U.S. companies their business culture and specific needs in complex transactions.

Finally, any due diligence process requires knowledge of applicable regulations, both primary and secondary Romanian legislation, as well as European Union law. Over the last nineteen years, Romania's legal framework has evolved into a web of regulatory branches, many of them interlaced and ambiguous. Romanian lawyers have considerable experience in dealing with such matters, and are able to offer a clear view and creative solutions on the way regulations apply to specific legal issues.

It is very important for American firms to know with whom they are doing business, whether selecting a consultant, distributor or deciding to extend credit terms. In addition to introductions to local legal counsel, the U.S. Commercial Service offers a service for investigating the background, financial status and references of Romanian firms. The International Company Profile includes findings from interviews with the target company, supplier and customer references, and a recommendation regarding the subject's reliability as a business partner.

(http://www.buyusa.gov/romania/en/international_company_profile.html).

Local Professional Services

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A directory of local business service providers offering clear value to U.S. firms is available on the website of the U.S. Commercial Service in Bucharest, Romania:

http://www.buyusa.gov/romania/en/business_service_providers.html.

A list of service providers expert in EU law, consulting, and business development appears on the website of the U.S. Commercial Service at the U.S. Mission to the European Union at: www.buyusa.gov/europeanunion/services.html.

For information on professional services located within each of the EU member states, please see EU Member State Country Commercial Guides which can be found at the following website: <http://www.export.gov/mrktresearch/index.asp> under the Market Research Library.

Web Resources

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Ministry of Justice's Trade Registry

<http://www.onrc.ro/english/services.php>

Ministry of Economy, Trade and Business Climate

<http://www.minind.ro>

Ministry of Finance

<http://www.mfinante.ro/>

National Agency of Fiscal Administration

<http://www.anaf.ro>

Chamber of Fiscal Consultants

<http://www.ccfiscali.ro>

European Union legislation database

<http://eur-lex.europa.eu/>

European Ombudsman

<http://www.ombudsman.europa.eu>

European Commission, DG Health and Consumer Protection, Consumer Affairs

http://ec.europa.eu/consumers/index_en.htm

European Committee for Electro-technical Standardization

<http://www.cenelec.org>

European Telecommunications Standards Institute

<http://www.etsi.org>

European Committee for Standardization

<http://www.cenorm.be>

American National Standards Institute

<http://www.ansi.org>

New Approach Standardization in Europe

<http://www.newapproach.org>

ETSI Collaborative Portal

http://portal.etsi.org/Portal_Common/home.asp

The CEN Information Society Standardization System

[http://www.cenorm.be/cenorm/workarea/sectorfora/iss\(ict\)/index.asp](http://www.cenorm.be/cenorm/workarea/sectorfora/iss(ict)/index.asp)

European Commission, Enterprise, Single Market, NANDO INFORMATION SYSTEM

<http://ec.europa.eu/enterprise/newapproach/nando/>

Government-to-Government Mutual Recognition Agreement Information

<http://ts.nist.gov/standards/conformity/mra/mra.cfm>

European Cooperation for Accreditation

<http://www.european-accreditation.org>

New Approach Standardization in the Internal Market

<http://www.newapproach.org/Directives/DirectiveList.asp>

European Commission, Enterprise, Technical Regulations Information Systems

http://ec.europa.eu/enterprise/tris/index_en.htm

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Chapter 4: Leading Sectors for U.S. Export and Investment

Commercial Sectors

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Agricultural Machinery and Equipment

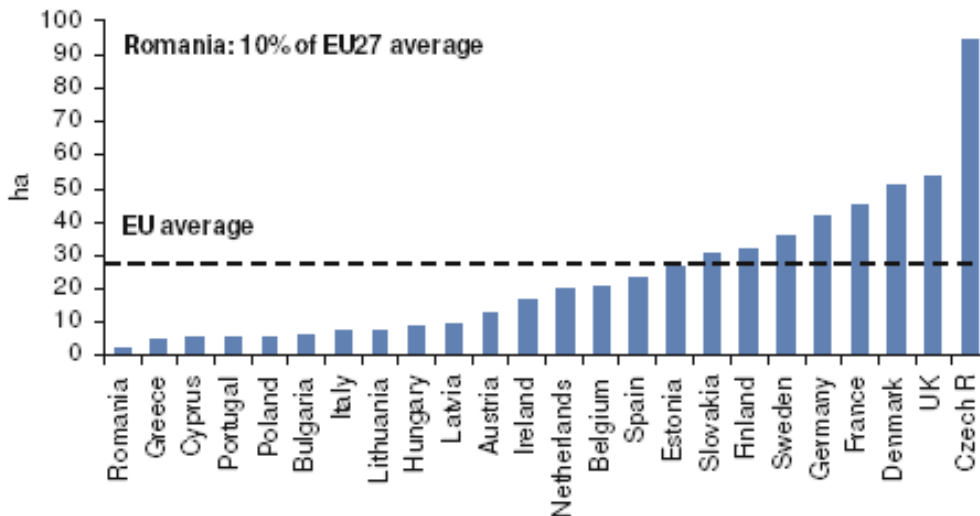
Overview

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U.S. manufacturers and exporters of agricultural equipment have good prospects in Romania, in both the short and long term. However, there are several structural issues that affect demand for this equipment.

Romania's highly fragmented agricultural land ownership prevents the accumulation of income and profits on a scale that enables the investments necessary to increase productivity.

Arable land per holding

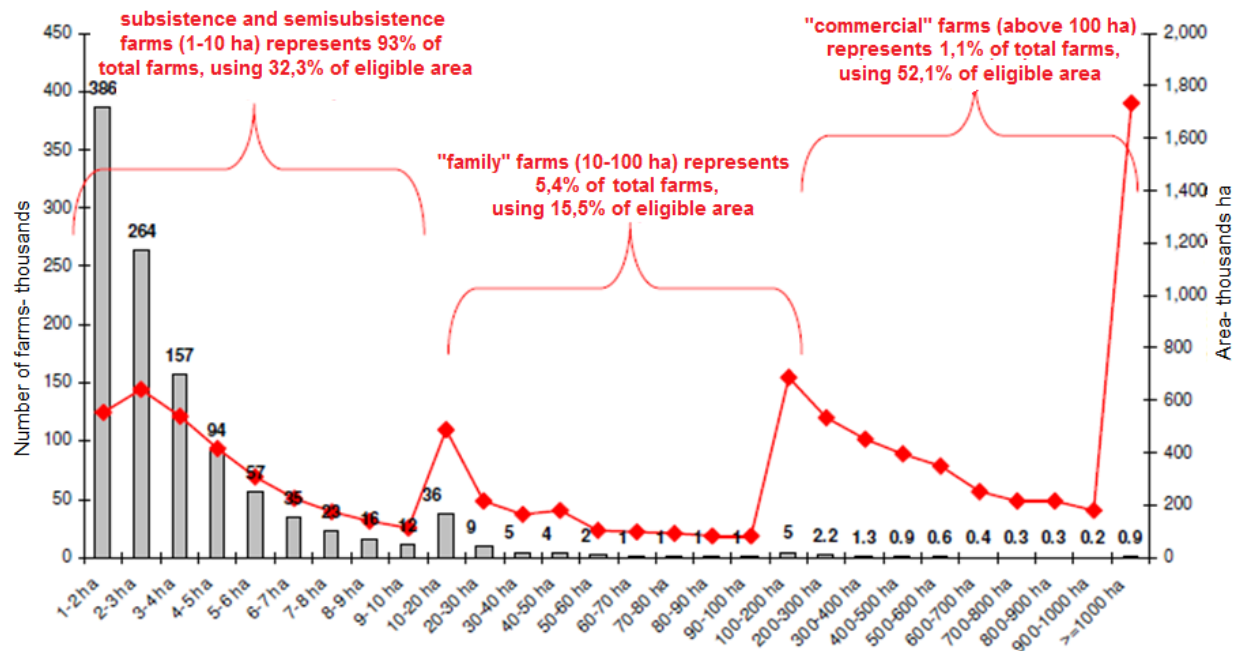


Source: Eurostat, BCR Research

While Romania has an abundance of rich soil, the predominance of subsistence farms means that the country has the lowest amount of arable land per holding. BCR Research reports that the top 50 agricultural producers account for only 4% of the arable land, or 430,000 hectares.

Some small commercial farms are realizing that their mutual self interest can be advanced through voluntarily forming associations or co-ops in order to aggregate production and marketing. However, the memory of enforced collectives and rampant cheating by co-ops in the communist days still presents an obstacle for many.

This imbalance means that a relatively few large farms coexist with many small ones, and this fact influences the competitiveness of Romanian agriculture as shown in the next chart by BCR Research.



U.S. manufacturers of agricultural equipment and machinery will find demand growing in the Romanian market, and a limited, but growing, number of buyers. These farmers are investing in order to increase productivity, and have become more adept at using the various financing programs of the EU as well as U.S. EXIM Bank's financing, insurance and guarantee tools.

Productivity gains and agriculture – real-term developments



Source: BCR Research, NIS

As the chart above shows, productivity gains in agriculture have been erratic. To be economically viable in Romania, a farm must be considerably larger than in many European countries. A representative of an Austrian trading company active in Romania's farm machinery and equipment market noted that in Austria, a 40-acre farm is viable and has a tractor; whereas in Romania, a 250-acre farm is at the lower end of the commercially viable scale. This observation does not describe poor quality soils,

but lagging productivity of the land due to a lack of modern farming equipment, technologies and practices.

Discounted land prices, good quality soil, low labor costs, and the potential for large productivity gains through the application of more intensive methods form an interesting opportunity for well-capitalized foreign investors.

Agricultural Machinery and Equipment

Case New Holland, John Deere, AGCO, Claas and others are all present in the market. Romania's EU membership has given it access to European equipment free of import duties. Under communism, Romania had several state-owned companies that manufactured tractors and farm implements. Some were privatized more or less successfully, but most have not survived exposure to EU competition. In comparison to other markets, this lack of local competition leaves an open flank for U.S. and third country competitors.

Romania's principal crops -- corn, wheat, and sunflowers -- account for about 15 million acres of farmland. In addition, the country's fertile soils and varied topography support forestry, pasture and rangeland, orchards, vegetables, and vineyards. These offer opportunities for irrigation equipment, greenhouses, and agricultural inputs such as fertilizers and feed supplements.

Sub-Sector Best Prospects

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CS Romania believes that agricultural machinery such as tractors and harvesting equipment such as combines have excellent prospects for growth.

There are additional opportunities in silos, grain handling equipment, agricultural inputs such as fertilizers, and livestock equipment for cattle and swine. Romania's vegetable production (including greenhouse), vineyards, and stone fruit are worth exploring. Dutch and Israeli competitors maintain a strong presence in greenhouse technology.

More than 70% of this equipment has exceeded its normal functioning period and is fully depreciated. Equipment is used longer and with less attention to preventative maintenance. One tractor normally works 55 hectares of farming land, and a combine some 100 hectares. In the EU, the average is 13 hectares for a tractor and 79 hectares for a combine.

For the reasons mentioned earlier, the Romanian market has a ratio of tractors per hectare that is only one-third of the EU average. In Germany the ratio is one tractor per 9 hectares, in the Netherlands one in 7, while in Romania there is one tractor per 55 hectares of farmland. According to the Romanian association APIMAR (Romanian Association of Producers and Importers of Agricultural Machinery), in order to reach the European average concentration of tractors, the Romanian market would need to put into operation 30,000 tractors per year for more than a decade. According to the Romanian "National Strategy for Sustainable Development of Agriculture and the Food Industry" and to industry experts, if the country's farmlands were exploited with the intensity of the rest of the EU, Romania would need approximately 300,000 tractors, producing a bill of demand worth approximately \$14 billion.

Based on the last centralized inventory of imported agricultural machinery in 2010, the Association of Tractors and Agricultural Machinery's Constructors Employers of Romania reported the following numbers of tractors and combines:

TRACTORS

Inventory classified by two categories, new and second hand / used tractors:

POWER	Less Than 45 PH		46 - 60 PH		61 - 80 PH		81 - 120 PH		121 - 200 PH		201 - 360 PH		TOTAL		TOTAL
BRAND	New	Used	New	Used	New	Used	New	Used	New	Used	New	Used	New	Used	
TRACTORS TOTAL out of which:	1,193	1,879	210	919	743	1,249	1,176	963	1241	947	528	242	5,091	6,199	11,290
DEUTZ FAHR	11	248	9	67	35	93	80	53	175	28	22	7	332	496	828
LAMBORGHINI	3	34	10	32	37	24	23	19	25	32	14	1	112	142	254
STEYER	12	107	4	74	19	64	27	32	74	59	32	21	168	357	525
HEBEI (import from China)	801	241	6	17	0	15	10	4	1	2	0	0	818	279	1097
FIAT	30	266	17	97	23	108	24	47	17	48	6	9	117	575	692
MS. FERGUSON	19	163	11	88	30	81	34	74	33	66	14	12	141	484	625
JOHN DEERE	14	146	43	84	116	187	265	170	311	213	153	43	902	843	1,745
RENAULT	0	46	0	5	3	31	6	32	12	11	8	5	29	130	159
FENDT	2	51	2	64	8	79	48	63	55	53	36	8	151	318	469
CS. INTERNATIONAL	5	37	9	19	61	27	49	43	98	37	59	25	281	188	469
FORD	2	60	2	35	4	58	11	30	8	32	8	20	35	235	270
SAME	10	37	5	1	33	16	13	11	14	3	0	2	75	70	145
NEW HOLLAND	2	15	10	28	47	44	122	69	76	48	19	6	276	210	486
ZETOR	19	9	1	40	6	11	24	7	3	4	1	3	54	74	128
CLAAS	6	32	10	35	36	49	26	36	62	30	26	5	166	187	353
BELARUS	1	10	5	26	40	29	87	19	19	7	10	6	162	97	259
VALTRA	7	2	1	16	3	7	21	13	42	39	5	3	79	80	159
LANDINI	1	2	15	4	41	11	12	19	18	16	1	0	88	52	140
Other Brands	248	373	50	187	201	315	294	222	198	219	114	66	1105	1382	2,487

The following table presents the equivalent data for combines reported the Association of Tractors and Agricultural Machinery's Constructors Employers of Romania in 2010:

COMBINES

Inventory classified by two categories, new and second hand / used combines:

POWER BRAND	Less Than 45 PH		46 - 100 PH		101-183 PH		184-220 PH		221-360 PH		TOTAL		TOTAL
	New	Used	New	Used	New	Used	New	Used	New	Used	New	Used	
COMBINES TOTAL out of each:	77	1,787	261	3,007	866	2,077	1,020	822	580	191	2,804	7,884	10,688
MS.FERGUSON	1	267	9	316	25	84	124	33	9	10	168	710	878
CLAAS	34	895	65	1355	239	934	320	312	227	58	885	3,554	4,439
JOHN DEERE	19	186	92	379	208	267	132	137	92	33	543	1,002	1,545
FORD	0	26	2	55	3	54	12	20	0	0	17	155	172
EPPLÉ	0	46	0	26	4	29	0	20	0	0	4	121	125
DEUTZ FAHR	2	46	8	67	2	28	29	19	14	6	55	166	221
CS. INTERNATIONAL	1	29	3	81	31	69	88	31	35	10	158	220	378
NEW HOLLAND	3	66	34	189	123	204	156	128	90	19	406	606	1,012
NIVA	0	15	0	1	5	7	3	0	2	0	10	23	33
FIAT-LAVERDA	0	5	0	52	24	58	39	10	67	1	130	126	256
SAMPO	0	3	0	11	13	8	1	0	0	1	14	23	37
FORTSCHRITT	0	1	4	33	58	90	9	27	2	7	73	158	231
FIAT AGRI	2	3	1	4	0	2	3	0	2	0	8	9	17
COMBINES (Imported from Ukraine)	0	0	0	1	5	0	1	0	0	0	6	1	7
Other Brands	15	199	43	437	126	243	103	85	40	46	327	1,010	1,337

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Importance of Financing

Opportunities exist across all sectors of Romanian agriculture – ranging from tractors to viticulture tools. However, a farmer's ability to pay for the equipment is what distinguishes a need from a business opportunity. For this reason, the ability to access financing is vital to the development of the market, and some farmers do not manage their farms as businesses, including the appropriate use of capital.

Despite an abundance of Romanian and foreign banks, in the current environment, few are comfortable with agricultural lending because of the risk profile. Vendor financing has attempted to fill the gap in various forms of credit, as well as leasing companies. The European Union and Romania's Ministry of Agriculture are important sources of finance or grant assistance for Romanian farmers, to the extent that sometimes investment decisions are based on what financial support is available.

The European Union has provided million of dollars in grants annually to rural businesses, including farms, for investment in agricultural machinery and equipment, manufacturing facilities, and other agricultural purposes. This has been an important source of financing and an important driver of sales for equipment dealers. Between 2007 and 2013, a total of around USD 40 billion from the EU will be allocated to Romania in structural and cohesion funds and American companies can participate directly in projects funded by the EU or in partnership with a company from an EU member country. A substantial percentage of this money (\$11 billion) is destined for agriculture within the European Agricultural Fund for Rural Development. Farmers access this money by submitting eligible projects to the Ministry of Agriculture and Rural Development's Agency for Payments and Interventions in Agriculture, in accordance with the National Program for Rural Development.

The U.S. Export-Import Bank is also an important tool available to American exporters of agricultural machinery and equipment. Eximbank offers its credit insurance, loan guarantees and financing on the Romanian market and has good working relationships with several local Romanian and European banks. More information about U.S. Export-Import Bank can be found in the Resources section below.

Events

The U.S. Commercial Service in Romania invites any American company involved in agribusiness, machinery or equipment to contact us for more information about the following Romanian agricultural trade shows in 2011:

May 4 – 8, 2011: AGRARIA – International Trade Fair for Agriculture, Food Industry & Packaging, 17th Edition, Cluj-Napoca, Cluj County, <http://www.agraria.info.ro>

May 26 – 30, 2011: ROMAGROTEC – International Exhibition of Agriculture & Agricultural Equipment, 8th Edition, Bucharest – Urziceni DN2 National Road, Ilfov County, <http://www.romagrotec.ro>

June 3 – 5, 2011: EXPO AGRIPLANTA – Everything from Seed to Harvest, Open-Air Exhibition, Trial Plots, Machinery Demonstration, 1st Edition, Fundulea, Calarasi County, <http://www.agriplanta.ro>

September 8 – 11, 2011: AGROMALIM – International Fair for Agriculture, Foodstuff Industry, Packaging and Related Services, 22nd Edition, Arad, <http://www.agromalim.ro>

October 19 – 23, 2011: INDAGRA - International Fair for Agriculture, Gardening, Winery & Animal Breeding, 16th Edition, ROMEXPO Exhibition Center, Bucharest, <http://www.indagra.ro>

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Ministry of Agriculture and Rural Development
<http://www.madr.ro>

Banca Comerciala Romana – BCR (Romanian Commercial Bank)
<https://www.bcr.ro/bcrro>

U.S. Export Import Bank
<http://www.exim.gov>

Romanian Association of Producers and Importers of Agricultural Machinery – APIMAR
<http://www.apimar.eu>
<http://www.romagrotec.ro>

The Romanian Automotive Market

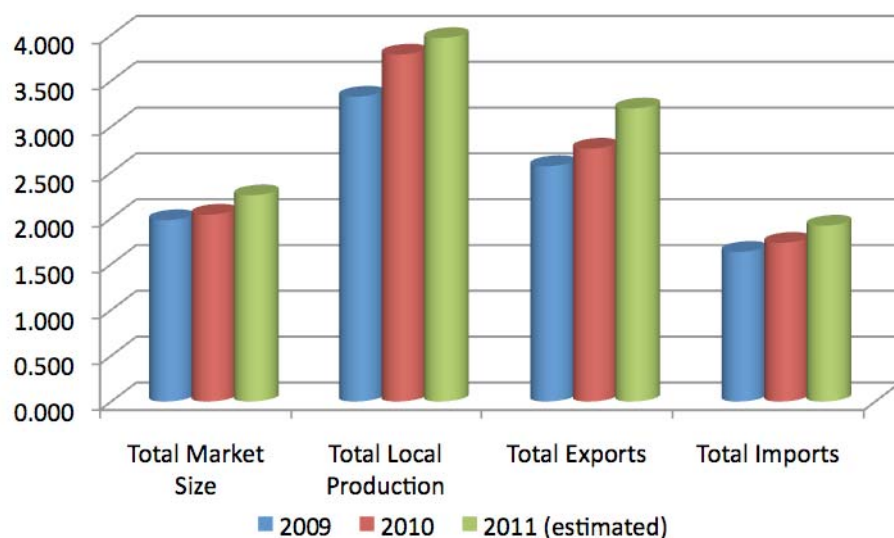
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The Romanian Automotive Market

The year 2010 marked the third consecutive year of downturn for the Romanian car market, after a peak recorded in 2007, when almost 367,000 units were sold. In 2011, Romanian auto industry representatives anticipate sales of 120,000 motor vehicles, 20% less than last year.

The Romanian automotive market fell almost 67%, a dramatic and immediate casualty of the economic crisis and austerity measures put in place by the Romanian government, which have reduced Romanians' purchasing power. The VAT hike from 19% to 24%, which took effect in July 2010, resulted in a 12% drop in new motor vehicles sales over the last six months of 2010, compared to the same period of 2009. One mitigating measure was the Romanian government program that offered incentives for scrapping old cars. Romania launched a revised "clunkers" program on February 18, 2010 in which car owners received a voucher in exchange for each scrapped car, which could be combined with up to three others when buying a new car. By December 2010, this program had induced the sale of 60,000 new cars out of a total of 106,000 cars sold in 2010 (roughly 57% of sales). As a direct result of the prolonged validity of vouchers, the fourth quarter of 2010 was the first time in more than two and a half years in which new car sales grew on a monthly basis.



Unit: USD millions

Car (motor vehicles market)	2009	2010	2011 (estimated)
Total Market Size	1.980	2.040	2.252
Total Local Production	3.328	3.788	3.968
Total Exports	2.570	2.760	3.200
Total Imports	1.634	1.733	1.920
Imports from the U.S.	7.04	2.7	2.8
Exchange Rate: 1 USD	2.9361	3.2045	3.1918

At the same time, Romanian industry specialists anticipate that in 2011 automotive components manufacturers are likely to make new investments in the local market.

Almost €5.4 billion is generated annually by more than 800 companies in the Romanian automotive parts industry. Among the auto parts manufacturers are ranked the following sectors by revenue.

Tires,wiring,batteries, plastic accessories, rubber	€3.07 billion
Mechanical parts	€2.19 billion
Bodies and trailers	€0.14 billion

Local production

According to the statistics provided by the Automotive Manufacturers and Importers Association (APIA), in the first 11 months of 2010, Dacia's and Ford's production together increased Romania's local production of motor vehicles by almost 18%. Dacia (owned by Renault) had the bigger share with 312, 000 units. Ford was second in production share with 8,600 Ford Transit Connect commercial vehicles, worth approximately €144 million. The 2010 production marked the first time Ford has had a share in Romania's local production of motor vehicles since taking over the Craiova manufacturing facility in 2008. Another burst of new production at the Ford plant is expected in 2012, when the future small class B Max model will come into production. Dacia's production rose 17% in the first 11 months of 2010; 90% of this was destined for export.

Romanian Exports

In 2010, the Renault-owned Dacia brand continued to be one of the best performers on the European market. Its exports increased by 21.3% (288,927 units), which allowed Romania to maintain its position as one of the main car-producing countries of Eastern Europe, along with Poland, Hungary, the Czech Republic, and Slovakia. It was also the sixth consecutive year in which the company enjoyed double-digit sales growth, from a level of less than 100,000 cars in 2004 to over 300,000 units in 2010. Ford's new auto

assembly plant in Craiova opened in September 2009, adding a second major producer/exporter to the Romanian automotive sector.

Romanian Imports

The import of all motor vehicles dropped 22.5.% in 2010, reaching only 76,078 units, and these occurred in the context of a 21.5% decrease in passenger car imports (66,634 units). The sales of imported diesel passenger cars experienced another substantial drop of 26%, in line with the average decline in the imported car sales.

Imports - Analysis by Segment

At the end of 2010, the new passenger car sale segment recorded a decrease of 18.3.% to 106,328 units. There were several brands that registered growth in sales volume, namely:

BMW	+ 38% (by 1,574 units)
Chevrolet	+529% (4864 units)
Mini Cooper	+17% (95 units)
Mazda	+14% (814 units)
Porsche	+11% (79 units)
Opel	+10% (6454 units).

All other brands registered declines in sales, starting with Geely and Cadillac and continuing with some popular brands like Hyundai, Kia, Peugeot and Fiat. Even brands with high market share and relatively higher volumes registered small drops, such as Volkswagen (-7%) and Renault (-6%). Local manufacturer Dacia also registered a drop in sales of about 11%, although its exports registered a solid increase (20%).

Romanian Passenger Car Market Segmentation by Brand:

Viewing the trends above in the context of market share is instructive. Five brands represented more than 63% of volume sold. Romanian maker Dacia was the leading brand in 2010, with a total of 34,400 units sold (35% market share, up 2.55% from 2009), followed by Volkswagen with 8,771 units (8.3% market share), Renault with 4,401 units (7.9% market share), Skoda with 8,079 units (7.6% market share) and Ford with 7,600 units (7.2% market share).

Commercial Vehicles

A total of 12,275 units were sold in 2010, a 26.4% decrease against 2009. Within this category, sales of LCVs were down with 33.8%, while trucks exceeding 18 t GVW were up (+46.4%). As many of the LCV vehicles are used as delivery trucks, this drop is indicative of the downturn for the retail sector, while the increase of the HCVs (over 18t) could indicate a recovery of the industrial sector.

Conclusions:

Clearly in a trough, the Romanian car market was sustained by promotional offers, discounts and the Government's clunkers program, which supported the sales of about 60,000 of the 106,000 sold in 2010. On the other hand, the decrease in newly registered vehicles was due to the non-deductible VAT upon the purchase of a new car, maintained

throughout 2010. If this provision had been eliminated, it is likely the market decline would have been less than 10% (instead of the -18% recorded).

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Auto Parts

In 2011 industry analysts predict growth for auto parts manufacturing companies, based on the assumption that during the periods of economic recovery this segment will outperform the market as a whole. The two major auto manufacturers have attracted and continue to attract significant investments in the auto components industry, which makes this sector one of the most dynamic ones in an economy affected by the crisis.

In 2010, cars and automotive components accounted for almost 10% of GDP and over 10% of Romania's exports. Taking into consideration Ford's announcement that its level of production will be similar to that of Dacia, this percentage could increase to over 15% by 2013. For the auto components manufacturers, the presence of the two carmakers is extremely beneficial: Renault's production has been steadily growing for the last six years, and Ford announced a production capacity of 300,000 cars and engines in 2013 and an actual production of at least 200,000 units. Given the degree of integration of the cars produced at Dacia Renault (80%) and Ford (60%) this segment is expected to closely follow the trend of the vehicles market.

Several automotive suppliers have announced development plans, including a U.S. manufacturer of interior trim. Pirelli has already began work for the construction of the second production facility in Slatina, a €250 million investment which must be completed in two years. Continental will expand its facility in Timisoara by investing €50 million in the development of a new division.

CML Innovative Technologies the local branch of the American group, one of the world's leading suppliers of automotive lighting solutions ended 2010 with a growth in sales of more than 72%. CML plans to expand its production capacity by 30-35% in 2011 and to make new investments in production equipment and building infrastructure. In a typical model, more than 95% of CML's Romanian production goes to export, to clients such as Renault, Nissan, Peugeot-Citroen, Volkswagen, Audi, General Motors, Opel, Toyota, Honda, Mercedes, and Dacia.

German company Kautex Textron automotive sector will invest €10 million to build an automotive plastics parts production facility close to Ford Romania in Craiova. The German company will produce tanks, valves, plastic pipes and pumps to be used on two models of vehicles produced at Ford Romania.

U.S. automotive suppliers should consider the implications of this new concentration of automotive production in Romania, and the eastward drift of European production. These may present new sales opportunities, or affect their existing relationships with automakers with European production.

Electric and hybrid vehicle production will create further opportunities for parts suppliers. Rombat Bistrița, the car battery producer is such an example. Rombat is in talks with Ford to start, from 2012, delivering batteries for the hybrid cars the US company plans to

manufacture in Craiova. Currently, the company's most important clients are Dacia and Peugeot groups, to which it delivers 20% of its total production. In the medium term, Rombat Bistrița is hoping to sign more contracts with Renault in order to benefit from the carmaker's global vehicle electrification program and its plans to produce 3mn batteries a year by 2015.

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In Romania the rate of car ownership remains two times lower than in Western Europe and will reach higher levels only in the next three to four years. It may take that amount of time for Romania's car market to regain its level of sales in 2008. In December 2010, the total number of registered cars was 5, 395, 195; or 245 cars per 1,000 inhabitants.

Beginning in 2011, the Government of Romania will increase the car pollution tax by 45-50% on average, depending on the car's age, engine capacity and degree of pollution.

The car tax increase will discourage imports of used cars and encourage the purchase of vehicles produced in Romania. The highest pollution tax in 2011 (30,432 euro) will be paid for 20-year-old cars with 3200 cc non-EURO engines. In the case of 10-year old EURO-2 cars, with 3, 2 cc, the tax will increase to 19,584 euro in 2011. For a new 3,000 cc EURO-5 car, the car pollution tax was set at 1,133 euro.

On the plus side, the implementation of the scrapping incentive program "cash for clunkers" will continue as in the previous year, with a limit of three vouchers of 3,800 RON (USD 1160) each. New vehicle series by makers like Renault may boost sales. Renault will begin deliveries of special series Fluence Passion, Megane Sport Edition, and Latitude vehicles in April 2011, with an electric Fluence available at the end of the year.

Freight forwarders will continue to buy trucks to cope with demand from exporters. According to APIA 's statistics, sales of over 18 tones trucks especially of those used to transport freight over long distances increased by almost 25% in the first six months of 2010 . The increase shows that the large transport companies consolidated their positions on the local market to target the distribution and logistics segment while small companies were weeded out and closed their businesses.

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Energy

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Romania has a lower energy dependency on outside sources than the European Union average due to its own primary energy resources.

	Gross Energy Consumption (Metric Tons)	Net imports (imports - exports)	Energy Dependency (Imports/gross consumption)
Romania	40.9	11.9	29.1%
EU – 27	1825.2	1010.1	53.8%

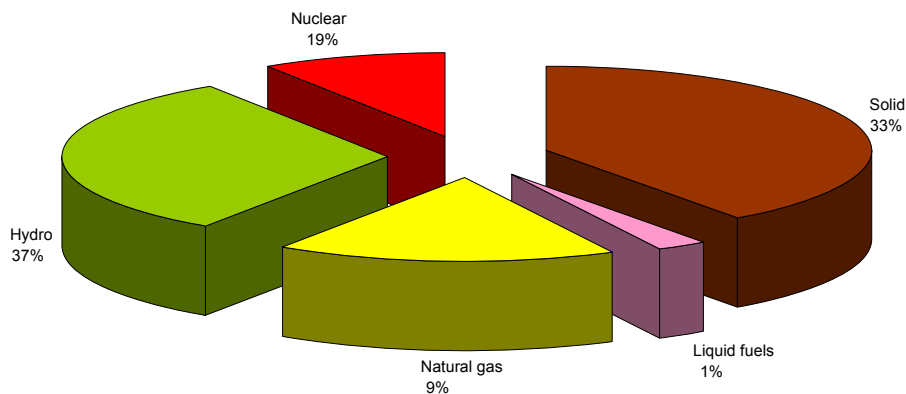
Source: Europe's Energy Portal

The country has the largest oil and natural gas reserves in Central and Eastern Europe. At the end of 2009, the following proven reserves were estimated (*source: Europe's Energy Portal*) for Romania:

- Oil: 0.5 billions of barrels
- Natural Gas: 0.6 trillion cubic meters
- Coal: 398 million tons

The generation of electricity is primarily based on coal, large-scale hydro generation and nuclear power.

TYPE OF FUELS USED FOR ELECTRICITY GENERATION 2010



Source: Romanian Energy Regulatory Authority; estimates for the first 9 months of 2010; 2010 was a peak year for hydro

Since 2000, the Romanian power sector has undergone a series of reforms and privatizations. The electricity market has been fully deregulated since July 2007. There are no administrative barriers for imports and exports of energy or energy resources. The power sector is currently unbundled into generation, transmission, distribution and supply.

Generation

The generation sector is heavily dominated by the state-owned power companies, the largest of which are Hidroelectrica (hydropower), Nuclearelectrica (nuclear), and three coal-fed power plants: Turceni, Rovinari and Craiova.

In 2009, the Romanian Government initiated a plan to fundamentally restructure the power generation sector by creating two national “power giants”. The rationale behind its decision was to save the thermal power plants from bankruptcy as well as to create financially sound power companies that will have access to international financing. In 2010, the government announced the creation of two integrated power companies, Electrica and Hidroenergetica, combining most of the state-owned energy and coal production assets.

Private investors have been active in the renewable generation sector. In 2008, this sector (particularly wind projects) boomed due to a number of factors: regulatory and market motivations (attractive incentives – Green Certificates) and the country’s physical attributes which favor solar and wind technologies.

Transmission

The transmission system operator in Romania is the state-owned Transelectrica, which is responsible for operating the transmission network (110kV) and managing the grid and interconnection (including with neighboring systems). Transelectrica, through its subsidiary OPCOM, also operates the electricity market.

Distribution

National power distribution is ensured by both state-owned (Electrica) and private companies: Enel (Dobrogea, Banat and Muntenia Sud), CEZ (Electrica Oltenia) and EoN (Electrica Moldova).

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In early 2011, the Romanian Government released a revised energy strategy. According to recent official statements, Romania plans to replace over half of its installed capacities with new units by 2035. Romania also targets an energy production of more than 20,000 MW by 2035, out of which 42% will be nuclear, 24% hydro, 16% coal and 17% renewable.

In light of these priorities, the best prospects for American companies will be found in electrical power systems, and products and services related to the construction of new power generation capacity, particularly nuclear, hydro and wind. These opportunities include design and construction, installation, upgrading, maintenance and repair.

Power Generation

The construction of the hydropower plant of Tarnita-Lapustesti (installed capacity 1,000MW) is reportedly on the top of the Romanian Government's priority list. A consortium that includes Deloitte, HydroChinaZhongNan Engineering Corporation and the Romanian Commercial Bank (BCR) is working on finding the best strategy to implement the Tarnita-Lapustesti project. The Government expects at least 15 investors once the strategy is completed. The construction costs are estimated to be over 1.1 billion euro.

In 2007, Nuclearelectrica announced its plan to build two additional nuclear reactors. Nuclearelectrica, holding the majority of the shares, partnered with several foreign companies (CEZ, RWE, GDF Suez, Enel, Iberdrola and Arcelor Mittal Romania). In 2009, the share holders established the project company Energonuclear to manage construction of the two units. In 2010, Energonuclear issued the tender for the EPC (Engineering –Procurement-Construction) contract estimated at over 3 billion euro. Three companies submitted letters of interest, including American company Bechtel Nuclear. The project is currently facing some challenges as several of the existing investors have decided not to invest in the expansion.

The Romanian Government plans to develop 2 new generation units (500 MW each) at the coal – fed plants, Craiova and Rovinari. The energy complexes plan in-kind contribution to the venture and seek private investors to make investments in cash. A first attempt to attract investors to Craiova took place in 2009. The Government launched a call for investors and three companies, including American company AES, responded with expressions of interest. The negotiations broke down but a new search for investors is expected to resume once the restructuring of the sector is completed. Meanwhile, the two complexes have applied for European funding worth 88.1 million Euros to build four desulphurization units.

The Romanian Government is also seeking European funding for a carbon capture project. The Turceni energy complex, in partnership with French engineering group Alstom, is going to build Romania's first-ever carbon capture and storage unit, a project worth 400 million euro.

As a result of revised legislation to promote renewable energy, the market is now experiencing a boom in wind park development, and a number of projects (i.e. Iberdrola, RWE) have been announced. The largest is being built by the CEZ Group and has an installed capacity of 600MW, with 240 wind turbines provided by U.S. supplier GE.

Transmission

The power grid operator Transelectrica plans to complete the 400 kV national power ring and build the 400 kV metropolitan ring of Bucharest, extend the capacities of interconnection with the neighboring countries and build a submarine cable with Turkey.

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Ministry of Economy, Trade and the Business Environment
<http://www.minind.ro>

TERMoeLECTRICA
<http://www.termoelectrica.ro>

CRAIOVA
<http://www.cencraiova.ro/>

ROVINARI
<http://www.cerovinari.ro/>

TURCENI
<http://www.eturceni.ro/>

HIDROELECTRICA SA
http://www.hidroelectrica.ro/index_en.html

NUCLEARELECTRICA SA
<http://www.nuclearelectrica.ro>

TRANSELECTRICA SA
<http://www.transelectrica.ro/en.php>

ELECTRICA SA
<http://www.electrica.ro/default.asp?lang=en>

OPCOM
<http://www.opcom.ro/pp/home.php>

Romanian Government
<http://www.gov.ro/main/index/1/2/>

Environmental Technologies

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As a member of the European Union, Romania is required to implement the EU environmental protection standards by 2018, when all transitional periods negotiated with the European Commission will expire. The highest costs will fall under the “heavy environment investments” related to water and wastewater, solid and hazardous waste management, and large combustion plant air quality control.

Water and Wastewater

The water and wastewater services in Romania are under a reengineering process, aiming to establish efficient regional water and wastewater operators. Regionalization is considered a key element in improving the quality and cost efficiency of local water infrastructure and services in order to fulfill the country’s environmental targets, but also to assure the sustainability of investments.

Only 43% of Romania’s population is connected both to running water and sewage services. The percent of the population with a water supply but no sewage system is about 12%. As much as 45% of the Romanian population has neither a central water supply nor sewage system.

Waste management

In urban areas, municipal waste management is carried out through specialized services, covering about 90% of the population, while none are existent in rural areas. There are 252 municipal landfills, out of which 234 are not compliant with EU environmental standards; there are approximately 2,686 small dumping sites in rural areas. From the total amount of production waste, excluding mining, only 30% is recovered, the rest being disposed of by land filling or incineration. There are only seven incinerators for hazardous waste in Romania and seven cement kilns are authorized for the co-incineration of waste. The total number of industrial landfills in Romania is 169 out of which only 15 are in accordance with EU standards. The rest will be gradually closed.

Air quality control

Particulate matter is the main air pollutant in Romania and the level exceeding the maximum admissible concentration is significant. The main sources of pollution with particulate matter are the thermal power plants using solid fuels, metallurgic and steel industries, cement factories, road transport, waste dumps and waste storage. The Large Combustion Plants (LCP), which produce power and heat, represent the main source of air pollution in many municipalities. In 26 of the largest municipalities in Romania, LCPs are the most important source of thermal energy and household hot water. The main pollution source from the LCP’s are fossil fuels (coal, fuel oil) used by these installations. They emit high concentration of particulates, nitrogen and sulphur oxides, which cause acid rain and pose a significant health risk.

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The environmental sectors with best prospects for U.S. companies are water and wastewater, waste management, integrated pollution control and risk assessment.

Best prospect areas for such products and services are related to projects managed by municipalities and local authorities (water supply, waste water treatment, solid waste minimization, recycling and disposal, district heating, mining waste); projects handled by individual companies (emissions and effluent reduction and treatment, pollution prevention measures, hazardous waste disposal, energy utilization, and soil remediation); projects related to the construction, modernization, or extension of landfill sites for both cities and villages or construction of deposits for industrial wastes as well as centralized deposits for dangerous waste; the establishment of incinerators for dangerous and clinical waste; and waste recycling.

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The Ministry of Environment and Forests has prepared an extensive portfolio of projects aimed at accessing the EU Structural and Cohesion Funds. This portfolio includes some 80 major projects for investment in infrastructure, water / waste water, waste, heat and floods, with a value of over 4 billion euro, representing about 70% of funding available for the environmental sector in 2007-2013.

By October 2010, 19 major environmental projects worth 1.9 billion euro were submitted to and approved by the European Union. The funds' beneficiaries are several regional water and wastewater utilities (including RAJA Constanta, Apa Vital). In terms of business opportunities, the projects consist of:

- Technical assistance contracts (project management, site supervision)
- Works contracts, both Yellow FIDIC and Red FIDIC, aiming to rehabilitate and extend the water and wastewater systems (sewerage networks, water/wastewater treatment plants)
- Supply contracts for SCADA systems, meters, operational vehicles, laboratory equipments etc.

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The Romanian Water Association: <http://www.ara.ro>

Healthcare

Overview

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Health care in Romania is dominated by the public sector, which owns most of the hospitals and provides national health insurance to all Romanian citizens. Despite this access, the standard of healthcare in Romania is well below that found in other EU countries, due to a combination of systemic failures and chronic under-funding.

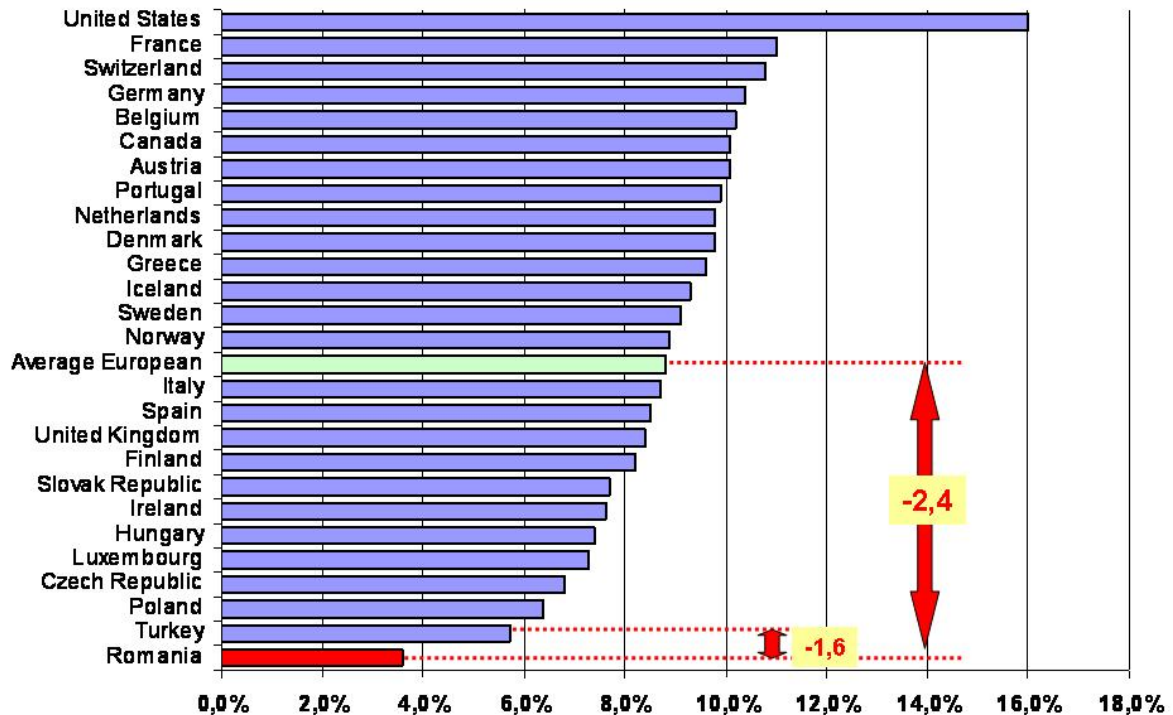
The public healthcare system includes national health insurance, covering all Romanian citizens, as well as a growing and parallel network of private healthcare. The National Health Insurance Fund (NHIF) is funded by a combination of employer (5.2% of gross wages) and employee (5.5%) contributions, and allocations from the national budget.

The growth of private healthcare facilities has been rapid, catering to higher-income strata of the population who can afford to pay for these services. Private health insurance is often offered by private companies as an employment benefit. The development of private hospitals is closely linked to private insurance. In this regard some consolidation occurred in 2010 when local private provider Centre Medical Unirea (CMU) acquired Euroclinic, which had been developed by the Dutch insurer Eureko.

There are a few hurdles to the continued growth of private healthcare. The top 10 private clinics account for 35% of the private market, with the remainder served by smaller clinics and laboratories, and individual medical practices. The Romanian Government has not defined the “basic package” of healthcare to which all citizens are entitled, and thereby left unspecified the services not covered by national health insurance. Without this signal, private providers and investors do not know which market gap to fill. Even as poor public health services reinforce demand for private healthcare, this sector’s prospects must rely on rising incomes and the ability of consumers to pay out of pocket until such time as the Government defines a “basic package” and extends national health insurance coverage for these services to private providers.

Overall spending on healthcare is insufficient for the needs of the population, and the quality and access to care varies between urban centers such as Bucharest and the countryside. Romania’s healthcare spending is difficult to measure. Statistics on public expenditure include the NHIF and Ministry of Health purchase of medicines, health services, preventive services, medical equipment and capital investments. However, there are no reliable figures for private spending, including the “informal” payments made by patients and their families to healthcare workers within the public health system.

Despite these limitations, it is clear that Romania spends far less on healthcare, as a percent of GDP, than other OECD and EU countries. While in 2009 the European average was between 8-9% of GDP, Romania spent less than 4%, well below the next lowest EU member, Poland.



Source: OECD Health Data 2009 (www.oecd.org)

Problems with public finances have been passed through to healthcare spending, and led to questionable policy decisions in areas such as pharmaceutical pricing and preventive medicine. Payment delays by the Government of Romania have led to extreme pressures on cash flow and the insolvency of some pharmaceutical distributors.

Despite this dire funding situation, American companies have secured healthy market share in areas such as medical devices, disposables, and pharmaceutical products. Healthcare informatics and hospital management are two areas poised for growth, as Romania pursues “e-Health” solutions to improve the standard of care and cost controls.

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The Romanian Ministry of Communications and Information Society (MCSI) announced in May 2009 that it had approved its first financing agreement in the field of e-Health worth a total of RON 88mn (\$28 million).

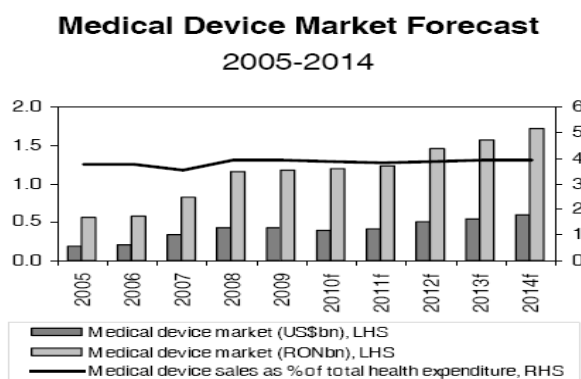
The program, a National Electronic Prescription System, is aimed at improving the quality of medical documents and optimizing the costs of medical services through a national electronic prescription system. The system will monitor (in real time) the prescription and consumption of medicines in Romania, in order to eliminate errors and fraud in the prescription system. Through electronic transfer of the prescription to the pharmacist, the system will create a national database whereby the drugs that are prescribed will be electronically registered.

The project participants will be Romania's 44 health insurance houses, along with approximately 30,000 doctors and 5,350 pharmacies which have signed agreements with these health insurance houses. Approximately 12 million Romanian citizens registered with Romania's health insurance system will benefit from the program. Although funded by the MCSI, the project will be administered by the Ministry of Health.

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Medical Device Market Forecast



f = forecast. Source: United Nations Commodity Trade Statistics Database, Eucomed, World Health Organization, BMI Research. For data, see Forecast Tables section below.

Procurement of medical devices has traditionally been performed centrally from the state budget, though greater hospital autonomy is expected to reverse this trend as a program of decentralization is implemented. Hospitals gained greater autonomy in managing finances at the start of 2010, and as a result can arrange their own tender procedures for equipment. In addition the Ministry of Health has also pledged funding to provide better equipment in the primary care setting. The growth of the private hospital market over the next five years is also likely to boost spending, as demand for private healthcare grows with improvements in economic growth and income. Demand for medical equipment in Romania is almost entirely met by imports, with a number of smaller domestic manufacturers holding a market share of less than 10%. GE Healthcare, Siemens and Philips hold the majority market share in the country.

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Information Technology Market

Overview

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In recent years, the Romanian packaged software and IT services market has been one of the fastest growing markets in Europe. It continued to expand in 2008 with an annual growth rate of more than 30%. However, in 2009 the IT market dropped 25% as the Romanian economy contracted. In 2010, the IT industry was among the few sectors that registered a slight increase (of about 5%).

Software and IT Services Market, 2009-2012				
Million USD	2009	2010	2011 (estimated)	2012 (estimated)
Total Market Size	2,867	3,010	3,315	3,650
Total Local Production	1,980	2,080	2,290	2,520
Total Exports	852	895	985	1,090
Total Imports	1,739	1,825	2,010	2,220
Imports from the U.S.	1,000	1,095	1,206	1,332

Data Sources: Ministry of Communications and Information Society

In 2010, software represented only 12% of overall IT expenditure, and the market volume was still relatively low compared both to other Central and East European countries and the EU average. However, the Romanian software market is one of the fastest growing in Europe, fueled by the requirements of infrastructure modernization and meeting EU standards and norms.

At the retail consumer level, computer hardware and software products are available, but their prices are relatively for Romania's weak purchasing power. The purchase of a personal computer (more than \$1,000) is beyond the reach of much of the population, and a significant purchase for many small businesses. There is greater purchasing power within the higher education, commercial and public sector markets, but IT budgets are seldom adequate to the needs.

Imports cover more than 50% of the total software and IT services market, and American software products represent more than 75% of total imports. Almost all global software producers are present in the Romanian market. Romanian software companies are gaining strength in the packaged software market such as ERP/EAS and anti-virus software. Romania has a particular strength in the area of high-end software development, and numerous American software firms – Oracle, IBM, Intel -- have established or expanded significant development centers in the country, serving the region and sometimes the world.

The IT industry drives a large amount of value creation and growth across Romania's economy. The public sector tends to dominate IT purchasing opportunities, as in many other sectors. One of the most ambitious projects is Romania's e-Government project, *e-Romania*, which is currently being initiated. In addition, verticals like utilities, government, retail, manufacturing and telecommunications will continue to grow significantly and represent the main end-users of the IT industry.

Finally, Romania plans to implement a number of projects, with important ITC components and financed from European structural funds, in 2011-2012.

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Recently, the Government of Romania emphasized the strategic importance of the IT sector, indicating that even during the downturn, IT solutions have increased productivity, spurred innovation and played a leading role in improving economic health and national competitiveness.

IT Applications in other Fields: Energy and Healthcare

Romania has begun to give close attention to the application of IT to fields such as energy and healthcare. In the first case, the development and deployment of "smart grid" solutions will entail a significant IT component as the country seeks to upgrade the power grid and manage the integration of large amounts of new power generation capacity. In the case of healthcare, IT solutions are helping to drive standardization and interoperability of data within the healthcare sector, as well as improve efficiency and eliminate fraud. There are several pilots of telemedicine applications, but these are limited in scale relative to the potential benefits to the country. Major projects in this field include a national medical insurance card and "e-Prescription."

e-Government

The effective use of IT can significantly reduce costs, improve productivity, enhance the quality of public services, and eliminate opportunities for corruption. The Government of Romania plans to implement or continue deployment of online applications for tax payment and other "citizen-facing" services.

Intelligent Transport Systems

Intelligent Transport Systems (ITS) make transport more efficient, faster, easier and reliable. As Romania seeks to build basic transport infrastructure (road and rail) to catch up to West European standards, there is an opportunity to build-in ITS solutions. While awareness and budget for an integrated ITS solution are both low, the Romanian Government appears committed to a pilot program to develop a "Smart City" with IT applications across sectors such as transportation, healthcare, and public administration. The "Digital Mures" project is focused on the City of Tirgu-Mures in Transylvania.

Enterprise Application Solutions

In 2010, the EAS market was worth USD 86.4 million. The top three vendors (SAP, local player Siveco and Oracle) captured 65% of the Romanian EAS market. The large corporate and the government sectors are still the biggest spenders on EAS, but the

market is progressively expanding into the small and medium-sized businesses segments. The top-selling EAS modules are the resources management and core functionalities, but demand is increasing for more complex applications like customer relationship (CRM), supply chain (SCM), or business analytics, which are expected to grow rapidly in the next years. The largest vertical EAS spender in the last three years was the combined (process and discrete) manufacturing sector, followed by retail, and then medical and utilities.

Spending on content and documenting management solutions is largely confined to the government and financial services sectors. The security software market now dominated by Anti-Virus, and firewall/VPN software is changing with significant growth in the 3As (Authentication, Authorization, Administration) application sector. The market for applications related to technology management is still in an early stage of development, and market entrance conditions are therefore favorable..

For the next two to three years, ASWP (Application Software Products) is expected to see growth rates between 20-25% with the business application segment the main contributor to this development. Together with its maturation, the ASWP market will see a deeper consolidation, and some local players may be forced to merge in order to remain on the market.

Higher spending on software applications is expected for the next two years, driven by economic growth and companies' efforts to improve business process efficiency and regulatory compliance as well as to compete in the EU marketplace.

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The software and IT services market depends on corporate and public sector customers. The biggest purchasers of software and IT services are in production, telecommunications, banking, and public industries. Spending takes the form of licenses, consultancy, system integration, specific applications development, training, and external services. Demand from verticals like utilities, government, retail, manufacturing and telecommunications will continue to grow significantly as the economic conditions improve.

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Ministry of Communications and Information Society
<http://www.mcsi.ro>

National Regulatory Authority for Communications and Information Technology
<http://www.anrc.ro/index.aspx>

National Association of Software and IT Services (ANIS)
www.anis.ro

Association for ICT Industry in Romania (ATIC)
www.atic.org.ro

National Association of Internet Service Providers in Romania (ANISP)
www.anisp.ro

National Association of the Public Administration IT providers (ANIAP)
www.aniap.ro

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Packaging And Packaging Waste Market

Overview

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Packaging consumption in Romania has been steadily increasing, yet the economic downturn in 2009 and 2010 had a visible negative effect on this sector. From a quantity of 850,000 tons in 2002 (39 kg/capita), it reached a peak of 1.2 million tons in 2009 (60kg/capita). Yet this level is still below the average consumption in Europe.

The projections for the coming years indicate that packaging consumption will grow at a rate 1–2% faster than GDP, mainly due to changes in Romanian consumer behavior.

Data reported by the Ministry of Environment and Forestry for 2008 listed composite packaging (paper/cardboard) as the leading packaging material, with more than 352,000 tons of a total 1.17 million. However, industry sources consider that official statistics understate the actual level of consumption in 2008. The Romanian Association for Packaging and Environment (ARAM) estimates total packaging consumption was 1.35 million tons in 2008, a peak year for the Romanian economy. Based on this figure, and adjusting for economic growth of -7% in 2009 and -2% in 2010, ARAM places 2009 consumption at 1.1-1.2 million tons and around 1.1 million in 2010. The consumption by type of materials is shown below.

Packaging Consumption by Material, 2010	Relative Share of Consumption %
Paper/Cardboard	30
Plastics	28
Wood	21
Glass	15
Metal	6

Producers and importers of packaged goods or packaging material have the legal responsibility for reaching packaging waste recovery and recycling. However, these entities have set up separate organizations to accomplish this using the model of the “Green Dot” system used in most of Europe, Turkey and Canada. These organizations do not collect packaging waste, but have contracts with collectors and waste operators. ECOROM AMBALAJE S.A. is the largest one in Romania, with a market share of more than 60%.

A new law went into effect in 2010 setting packaging waste recovery and recycling targets for producers which are higher and cover more types of materials than those negotiated and granted by Romania’s Accession Treaty to the European Union.

Year	Recycling targets/type of material (%)	Overall	Overall recovery
------	--	---------	------------------

	Paper and cardboard	Plastics		Glass	Metals		Wood	recycling target (%)	or incineration in incinerating facilities with energy recovery (%)
		Total	Out of which for PET		Total	Out of which for Al			
2010	60	14		44	50		12	42	48
2011	60	22.5	42	54	50	17	15	50	57
2012	60	22.5	55	60	50	21	15	55	60

Until now, targets have been met mainly in terms of recovery and recycling of packaging waste resulting from industrial and commercial streams (C&I) and, to a lesser extent, from household waste. The waste collection system, including the collection of consumer packaging waste, is driven by the potential for making a profit.

In order to meet the new targets, industry has to focus to a greater extent on household packaging waste and collaborate with the waste management companies to improve sorting and separate waste collection.

The existing recycling capacities in Romania:

Type of waste	Capacity [tones/year]
Paper & cardboard	315,000
Glass	62,000
Plastics	110,000

Steel and metal scrap are recycled at existing steel mills, but there are few facilities for dealing with wooden packaging waste. The use of waste for energy production is still in its infancy in Romania, perhaps because alternative sources of energy are abundant.

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The projects for integrated municipal solid waste management systems have in general the following components;

- Service providing:
 - Supply of goods – the majority of the counties need containers for selective collection of recyclables – packaging and waste non-packaging plastic, individual composting units waste transport trucks to transfer stations, treatment facilities and landfills;
 - Technical assistance to support the Project Implementation Units, supervision of construction works, public information and awareness campaigns;
- Construction contracts:
 - Construction of landfills (1-2 landfill/county);
 - Construction of transfer stations;
 - Construction sorting stations;
 - Construction of composting and mechanic-biological treatment stations;

- Closure of existing non-compliant landfills.

Several Romanian counties have already signed contracts for financing and will organize tenders for the construction and services of integrated waste management systems. These counties include Mures, Arad, Neamt, Sibiu, Covasna, Salaj and Botosani. The counties of Suceava, Vaslui, Olt, Cluj, Calarasi and Alba are in negotiation for financing.

Each county will award concessions for municipal waste management services through open public tenders as follows:

- Waste collection and transport (3-5 collecting zones /county);
- Operation of the waste management installations (1- 2 operators/ county).

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The decision to set up integrated municipal waste management systems comes from the need to comply with EU environmental requirements by 2013, both by industry and local municipalities. This second group is required to reduce the amount of waste that is land-filled by 15%. Failure to meet these targets will result in penalties from the EU. These projects will be financed through the EU's Sectoral Operational Plan for Environment with an average grant of 30 million euro per county.

In addition to municipal waste management, Romania needs additional recycling capacity for materials such as glass and wood packaging.

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Romania's arable land for agricultural purposes is 39.5 percent of its total area, which places Romania sixth in the world in terms of potential arable land. In terms of employment, about 4 percent of Romanians are employed officially on agricultural payrolls. However, the official statistics do not capture the situation accurately; closer to 30 percent of employment is dependent on agriculture.

According to data released by the Ministry of Agriculture last year, subsistence farms hold about 45.24 % of total agricultural area of 14.3 million (HA), farms of semi-subsistence about 13.76 %, while commercial farms hold the balance of 41 %. Of the total number of farms, about 90% are engaged in subsistence farming (households producing exclusively for their families' consumption).

European Union Member States continue to be Romania's main trading partners for agricultural goods. Lower consumer demand as a result of deteriorating economic performance caused the trade deficit in food products to further decline by 45% according to the trade data available for the first 10 months of 2010, although by a significant margin Romania remains a net food importer despite this trend. Imports declined by 3%, while exports grew by 25%, mainly due to the higher volume and price for grains and oilseeds in 2010, compared to the previous year. Following the general trend, U.S. food exports to Romania fell by 27 % to approximately \$56 million compared to 2009, mainly consisting of soybean meal, planting seeds, tree nuts, fish and food preparations.

Romania's agricultural production in 2010 was superior in terms of volume for all main spring and winter crops, with exceptional yields in the cases of corn and sunflower seeds. Wheat price responded to the world rally following the low harvest in the Black Sea countries and the export ban installed in Russia in August. Exports to third countries are forecast to increase compared to previous years as Romania is expected to supplant other Black Sea countries as a supplier. The same export trend was observed for rapeseeds and is projected for corn and sunflower seeds.

According to available statistics, about 2 million HA of Romania's arable land (about 20% of the total) is uncultivated. Some of this fallow farmland was purchased for real estate development, which then stalled because of the recession. However, a more general lack of resources, capital, and profitable sale outlets are additional factors that discourage full land utilization. These conditions create opportunities for an investor to further increase agricultural output if exploited efficiently.

EU funding absorption continues under the National Plan for Rural Development (NPRD) 2007-2013 aimed to transform and modernize the agricultural and forestry production, to consolidate the quality of the rural environment and to ensure adequate economic and social conditions for the rural population. The NPDR for Romania was approved by the European Commission in mid-February 2008 for an overall budget of 10 billion euro, of

which 8 billion is funded by the European Union through the European Agricultural Fund for Rural Development, the balance being covered from the national budget. The total value of projects accepted for funding reached 3.4 euro billion in December 2010 corresponding to a 33 % rate of contracting. The rate of absorption – the percentage of contracts reimbursed from EU – remains as low as 17%.

Best Products/Services

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- **Soybeans and products**

Prior to EU accession, Romania was the only country in Eastern Europe planting biotech soybeans. The acreage under biotech soybeans grew 8 times during 2001-2006, reaching 137,000 hectares. Biotech soybean planting was discontinued in 2007, when Romania became an EU member.

The area planted with conventional soybeans shrank to 65,000 hectares in 2010, although the area increased from the previous year. Only farmers located in areas with favorable climatic conditions and covered with solid contracts continue to keep soybeans in their crop farm structure, although they miss the agronomic advantages offered by biotech soybeans and incur higher input costs.

Insufficient domestic production to cover the industry needs has generated high demand for imports. After three years of continuing growth, soybean meal imports fell in 2010 by 8%, as a result of the depressed livestock demand (Table 1). Soybean meal imports are projected to remain stable in 2011, given the declining meat consumption in the commercial sector.

**Table 1. Soybeans and soybean meal imports into Romania
(January-October, 2008-2010)**

Imports into Romania (10 months)	2008		2009		2010	
	Quantity (MT)	Value (USD)	Quantity (MT)	Value (USD)	Quantity (MT)	Value (USD)
Soybean meal	279,516	142,402,382	407,102	173,524,457	373,872	149,069,714
--- Of which from US	25,543	13,287,260	24,147	9,393,273	20,613	8,397,123
Soybeans	66,435	41,993,289	16,787	9,027,637	11,240	6,056,074
--- Of which from US	753	896,702	2,625	1,607,145	1,103	1,214,307

Source: Global Trade Atlas

- **Sunflower seeds**

Sunflower seeds crop enjoyed excellent weather conditions in 2010, with good soil moisture, rains at the right moment and fewer damaging heat episodes, leading to very good yields. Romania continued to be a net exporter of sunflower seeds, with a volume of around 0.5 million MT per year. Sunflower seed oil continues to be at the top of the list of oils for human consumption (85 percent). Regardless of the domestic sunflower seeds production, there is a demand for seeds in the confectionary and snacks sector, where

the United States is the preferred foreign supplier, holding about 19 percent of the total sun seeds import value (10-month trade data) (Table 2).

**Table 2. Sunflower seeds imports into Romania
(January-October, 2008-2010)**

Imports into Romania (10 months)	2008		2009		2010	
	Quantity (MT)	Value (USD)	Quantity (MT)	Value (USD)	Quantity (MT)	Value (USD)
Sunflower seeds	58,159	62,489,615	114,057	79,765,595	125,603	90,853,060
--- Of which from US	9,862	16,263,665	10,223	24,483,634	6,362	17,343,491

Source: Global Trade Atlas

- **Distilled Spirits: Whiskey**

After a sharp decline in 2009, the trade data available for 2010 indicate that the imported spirits market has stabilized. The total spirits market is estimated at about \$ 1.5 billion, including home-made drinks (40 percent). As shown in Table 3, the United States continues to be a significant supplier on the Romanian market, with 20 percent market share despite consumers' deteriorating purchasing power, denoting strong brand awareness and loyalty to U.S. whiskey. Considering the macroeconomic forecast we estimate stagnation on the distilled spirits market for 2011.

**Table 3. Distilled spirits imports into Romania
(January-October, 2008-2010)**

Imports into Romania (10 months)	2008		2009		2010	
	Quantity (litters)	Value (USD)	Quantity (litters)	Value (USD)	Quantity (litters)	Value (USD)
Distilled spirits	3,650,326	71,327,132	2,481,695	45,873,074	2,389,943	43,523,993
--- Of which Whiskey	1,935,496	46,605,661	1,380,333	28,724,314	1,347,513	25,918,842
----- Of which Whiskey from US (% of total whiskey imports)	274,531 (14%)	8,147,411 (17%)	279,869 (20%)	7,589,010 (26%)	260,566 (19%)	6,315,181 (24%)

Source: Global Trade Atlas

- **Tree nuts**

Demand for almonds for further processing or direct retail sale had been expanding until 2010, when the deteriorating consumer purchasing led to a decrease. Nevertheless, U.S. sources have not been affected, and have consolidated their position on the market. U.S. exports of pistachios trade figure dropped more than 50 percent in terms of market share, following the market expansion of suppliers in neighboring countries (e.g. Hungary).

**Table 4. Dry or fresh tree nuts imports into Romania
(January-October, 2007-2009)**

Imports into Romania (10 months)	2008		2009		2010	
	Quantity (MT)	Value (USD)	Quantity (MT)	Value (USD)	Quantity (MT)	Value (USD)
Almonds	277	1,732,625	581	2,682,060	508	2,777,401
--- Of which US	194	1,097,758	192	930,875	196	994,961
Pistachio	1,612	10,601,885	651	4,798,227	652	5,533,917
--- Of which US	385	1,955,007	220	1,476,755	97	780,569

Source: Global Trade Atlas

Other Opportunities

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Fish and seafood demand in different forms (frozen, dry, smoked)
Fruit and vegetables juices
Wines

Resources

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Chapter 5: Trade Regulations, Customs and Standards

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Import Tariffs

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Since January 1, 2007, Romania has applied the common EU tariff system. Tariffs are particularly high for certain items, such as cigarettes and alcohol.

The primary basis for determining customs value set out in Articles 29 of the Customs Code is: "... the transaction value, that is, the price actually paid or payable for the goods when sold for export to the customs territory of the Community..." Article 29 lists the following conditions, which must be met in determining customs value:

- There are no restrictions as to the disposal or use of the goods by the buyer, other than restrictions which are imposed or required by a law or by the public authorities in the community, limit the geographical area in which the goods may be resold, or do not substantially affect the value of the goods;
- The sale or price is not subject to some conditional consideration for which a value cannot be determined with respect to the goods being valued;
- No part of the proceeds of any subsequent resale disposal or use of the goods by the buyer will accrue directly or indirectly to the seller, unless an appropriate adjustment can be made in accordance with Article 32; and
- The buyer and seller are not related, or, where the buyer and seller are related, that the transaction value is acceptable for customs purposes.

The "price actually paid or payable" in Article 29 refers to the price for the imported goods. Thus the flow of dividends or other payments from the buyer to the seller that do not relate to the imported goods are not part of the customs value.

Articles 32 and 33 provide for adjustments to the value for customs purposes. Article 32 lists charges that are added to the customs value, such as, commissions and brokerage, costs of containers, packing, royalties and license fees, and the value of goods and services supplied directly or indirectly by the buyer in connection with the production and sale for export of the imported goods. Article 33 lists charges that are not included in the customs value, such as, charges for transport, charges incurred after importation,

charges for interest under a financing arrangement for the purchase of the goods, charges for the right to reproduce imported goods in the Community, and buying commissions.

Article 147(1) of the Implementing provisions, as amended, affects valuation in the case of successive sales. This amendment "defaults" valuation to the last sale, but allows the value of an earlier sale if it can be demonstrated that such a sale took place for export to the EU. The evidentiary requirements to support the bona fides of any earlier sales will be based upon commercial documents such as purchase orders, sales contracts, commercial invoices, and shipping documents.

Also, according to Article 181a of the Implementing Provisions and Article 57 of the Romanian Customs Code, when the customs office has reason to doubt the accuracy of the information supplied or documents presented for the purpose of customs valuation, it can require the importer to submit additional documents or evidence.

If such documents fail to prove the declared value, the Customs Authority may decline to apply the transaction value method, providing the importer with a written decision upon request. In such cases, provisional customs clearance may be granted on condition that the importer submits a guarantee for the maximum amount that the customs debt could be. If, within 30 days of such provisional clearance, the importer fails to present the requested documents to Customs, the clearance is deemed final.

Key Link: http://ec.europa.eu/taxation_customs/customs/index_en.htm

For contact information at national customs authorities, please visit:
http://ec.europa.eu/taxation_customs/common/links/customs/index_en.htm

Regulation 648/2005 is the "Security Amendment" to the Customs Code (Regulation 2913/92) and outlines the implementing provisions for Authorized Economic Operators, risk management procedures, pre-departure declarations, and improved export controls.

Entry Summary Declaration

Obligation to lodge an ENS: Without prejudice to the exceptions, EU legislation requires that an ENS must be lodged before the arrival of goods in the customs territory of the Community or before loading containerized cargo in deep sea traffic (cases referred to in Article 184a (1) (a) CCIP) at the first point of entry into the customs territory of the Community. The customs office of entry may waive the lodging of an entry summary declaration in respect of goods for which an electronic customs declaration is lodged within the deadlines for an ENS, provided the customs declaration contains the particulars of an ENS. A practical example would be the lodging of a transit declaration (Article 36c (1) CC) at the eastern land border under NCTS or NCTS-TIR.

In accordance with Article 183 (1) CCIP the ENS shall be lodged electronically. It shall contain the particulars laid down for such declaration in Annex 30A CCIP and shall be completed in accordance with the explanatory notes in that Annex.

The ENS shall be authenticated by the person making it.

Obligation to lodge an EXS: EU legislation requires, as a general principle, that all goods brought out of the customs territory of the Community, regardless of their final destination, shall be risk assessed and subject to customs control before departure or – in the case of deep sea containerized maritime shipments – before commencement of vessel loading. All such goods must therefore be covered by a declaration of some kind either by a customs declaration, e.g. for export, re-export, transit etc. or, wherever any of the former is not required, by an EXS.

This in principle means that an EXS is required in cases where goods are brought out of the Community without a customs declaration (Art. 842a CCIP).

All normal, incomplete or simplified export declarations (as well as declarations for outward processing and re-export after a customs procedure with economic impact) must contain the safety and security data defined in Annex 30A CCIP for the exit summary declaration.

The standard rate of value-added tax (VAT) is 24% and applies to the base of taxation for any taxable operation that is not exempt or that is not subject to the reduced rate of value-added tax. A reduced rate of 9% applies for services and goods such as prostheses of any type and accessories to them, with the exception of dental prostheses, deliveries of orthopedic products, medicines for human use and veterinarian use, accommodations within the hotel sector or with a similar function, such as campgrounds. A reduced rate of 9% applies to books, newspapers and tabloids, including textbooks, except for those used for advertising.

Trade Barriers

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For information on existing trade barriers, please see the National Trade Estimate Report on Foreign Trade Barriers, published by USTR and available through the following website: <http://www.ustr.gov/about-us/press-office/reports-and-publications/archives/2007/2007-national-trade-estimate-report-fo-0?ht>.

Information on agricultural trade barriers can be found at the following website: <http://www.ers.usda.gov/Publications/TB1876/>.

To report existing or new trade barriers and get assistance in removing them, contact either the Trade Compliance Center at <http://tcc.export.gov/> or the U.S. Mission to the European Union at <http://www.buyusa.gov/europeanunion>.

Import Requirements and Documentation

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Beginning with July 1, 2009 customs or other authorities designated by the member states have provided businesses with a unique registration and identification number (the EORI number) to be used for all customs activities they undertake within the European Union.

If a business (or “economic operator”) is not established within the EU customs territory and does not have an EORI number, it will have to be registered by the designated

authority of the member state where it conducts one of the following activities for the first time:

- Submits, within the Community territory, a short customs declaration, other than:
 - A customs declaration done in accordance with Articles 225 - 238 from the Community Customs Regulation (Commission Regulation no. 2454/93)
 - A customs declaration solicited within the temporary admission regime.
- Submits, within the Community territory, a short statement of entry or exit.
- Manages a warehouse for temporary deposit based on Article 185, 1st paragraph, from the Community Customs Regulation.
- Submits an authorization request based on the Articles 324a or 372 from the Community Customs Regulation.
- Requests an economic operator certificate, authorized according to Article 14a from the Community Customs Regulation.

For more information see the web page: <http://www.customs.ro/ro/e-customs/eori.aspx>

The Customs Office requires standard documents for release for free circulation. The import SAD (Single Administrative Document) which also applies to exports, must be submitted for acceptance and registration to the Customs Authority, supported by the following documents: According to Article 218 of Regulation (CE) No 2454/93 and its last amendments:

1. The following documents shall accompany the customs declaration for release for free circulation:
 - a. the invoice on the basis of which the customs value of the goods is declared, as required under Article 181;
 - b. where it is required under Article 178, the declaration of particulars for the assessment of the customs value of the goods declared, drawn up in accordance with the conditions laid down in the said Article;
 - c. the documents required for the application of preferential tariff arrangements or other measures derogating from the legal rules applicable to the goods declared;
 - d. all other documents required for the application of the provisions governing the release for free circulation of the goods declared.
2. The customs authorities may require transport documents or documents relating to the previous customs procedure, as appropriate, to be produced when the declaration is lodged. Where a single item is presented in two or more packages, they may also require the production of a packing list or equivalent document indicating the contents of each package.
3. However, where goods qualify for duties under Article 81 of the Code, the documents referred to in paragraph 1 (b) and (c) need not be required. In addition, where goods qualify for relief from import duty, the documents referred to in paragraph 1 (a), (b) and (c) need not be required unless the customs

authorities consider it necessary for the purposes of applying the provisions governing the release of the goods in question for free circulation.

Goods under duty suspension require the authorization of the Customs Authority, and relevant contracts should also be presented for clearance purposes.

At the re-export, the Customs Authority may require documents relating to the previous customs procedure, as appropriate, to be produced when the declaration is lodged. The Integrated Tariff of the Community, referred to as TARIC (Tarif Intégré de la Communauté), is designed to show various rules applying to specific products being imported into the customs territory of the EU or, in some cases, when exported from it. To determine if a license is required for a particular product, check the TARIC.

The TARIC can be searched by country of origin, Harmonized System (HS) Code, and product description on the interactive website of the Directorate-General for Taxation and the Customs Union. The online TARIC is updated daily.

Many EU Member States maintain their own list of goods subject to import licensing. For example, Germany's "Import List" (Einfuhrliste) includes goods for which licenses are required, their code numbers, any applicable restrictions, and the agency that will issue the relevant license. The Import List also indicates whether the license is required under German or EU law. For information relevant to Member State import licenses, please consult the relevant Member State Country Commercial Guide.

Key Link: http://ec.europa.eu/taxation_customs/common/databases/taric/index_en.htm

Import Documentation

Non-agricultural Documentation

The official model for written declarations to customs is the Single Administrative Document (SAD). European Free Trade Association (EFTA) countries including Norway, Iceland, Switzerland, and Liechtenstein also use the SAD. However, other forms may be used for this purpose. Information on import/export forms is contained in Title VII, of Council Regulation (EEC) No. 2454/93, which lays down provisions for the implementation of Council Regulation (EEC) No. 2913/92 establishing the Community Customs Code (Articles 205 through 221). Articles 222 through 224 provide for computerized customs declarations and Articles 225 through 229 provide for oral declarations.

Additional information on import/export documentation can be found in Title III, of Council Regulation (EEC) No. 2913/92 of October 12, 1992, establishing the Community Customs Code (Articles 37 through 57). Goods brought into the customs territory of the Community are, from the time of their entry, subject to customs supervision until customs formalities are completed.

Goods presented to customs are covered by a summary declaration, which is lodged once the goods have been presented to customs. The customs authorities may, however, allow a period for lodging the declaration, which cannot be extended beyond the first working day following the day on which the goods are presented to customs. The summary declaration can be made on a form corresponding to the model prescribed

by the customs authorities. However, the customs authorities may permit the use, as a summary declaration, of any commercial or official document that contains the particulars necessary for identification of the goods. It is encouraged that the summary declaration be made in computerized form.

The summary declaration is to be lodged by:

- the person who brought the goods into the customs territory of the Community or by any person who assumes responsibility for carriage of the goods following such entry; or
- the person in whose name the person referred to above acted.

Non-EU goods presented to customs must be assigned a customs-approved treatment or use authorized for such non-Community goods. Where goods are covered by a summary declaration, the formalities for them to be assigned a customs-approved treatment or use must be carried out:

- 45 days from the date on which the summary declaration is lodged in the case of goods carried by sea;
- 20 days from the date on which the summary declaration is lodged in the case of goods carried other than by sea.

Where circumstances so warrant, the customs authorities may set a shorter period or authorize an extension of the period.

The Modernized Customs Code (MCC) of the European Union entered into force in June of 2008. The MCC will replace the existing Regulation 2913/92 and simplify various procedures such as introducing a paperless environment, centralized clearance, and more. Check the EU's Customs website periodically for updates:
http://ec.europa.eu/taxation_customs/customs/procedural_aspects/general/community_code/index_en.htm.

Batteries

EU battery rules changed in September 2006 following the publication of the Directive on batteries and accumulators and waste batteries and accumulators (Directive 2006/66). The updated Directive applies to all batteries and accumulators put on the EU market including automotive, industrial and portable batteries. It aims to protect the environment by restricting the sale of batteries and accumulators that contain mercury or cadmium (with an exemption for emergency and alarm systems, medical equipment and cordless power tools) and by promoting a high level of collection and recycling. It places the responsibility on producers to finance the costs associated with the collection, treatment, and recycling of used batteries and accumulators. The Directive also includes provisions on the labeling of batteries and their removability from equipment. EU Member States must implement the EU Directive into their national law by September 26, 2008. For more information, see our market research report:
http://www.buyusainfo.net/docs/x_8086174.pdf

Imports of residues from the manufacture of starch from maize from the USA

According to Reg. 1375/2007 imports of residues from the manufacture of starch from maize from the USA into the Community are subject to laboratory analysis to verify their

conformity with the tariff definition. The Federal Grain Inspection Service (FGIS) of the United States Department of Agriculture and the USA wet milling industry, under the regular review of the USA authorities, will certify that imports of these products from the USA into the Community are in conformity with the agreed definition.

A laboratory analysis shall be carried out to verify the conformity of residues from the manufacture of starch from maize imported into the Community from the USA under CN code 2309 90 20 with the definition of this code for all shipments not accompanied by a certificate issued by the Federal Grain Inspection Service (FGIS) and a certificate issued by the USA wet milling industry.

Shipments from the USA which are accompanied by the two certificates are subject to the customary measures for checking imports.

REACH

REACH is a major reform of EU chemicals policy that became national law in the 27 EU Member States in June 2007. Virtually every industrial sector, from automobiles to textiles, could be affected by the new policy. REACH stands for the "Registration, Evaluation and Authorization of Chemicals." REACH requires all chemicals produced or imported into the EU in volumes above 1 ton per year to be registered with a central European Chemicals Agency (ECHA), including information on their properties, uses and safe ways of handling them. The full registration period for chemicals which are pre-registered ranges from three to eleven years depending on the volume of the substance and its hazard properties. Substances not pre-registered must be registered to stay on the market. Chemicals of very high concern, like carcinogens, will need an authorization for use in the EU. U.S. exporters to Europe should carefully consider this piece of EU environmental legislation. For more information, see the CSEU REACH webpage at: <http://www.buyusa.gov/europeanunion/reach.html>.

Waste electrical and electronic equipment

Waste electrical and electronic equipment are included in the Regulation (CE) no. 1013/2006 by the European Parliament and the Council on the transfers of waste. Importing waste electrical and electronic equipment in Romania is subject to the notification *form for circulation / shipments of waste* (Annex no. 1A to the Regulation (CE) no. 1013/2006) and to the *form of circulation for transportation / shipments of waste* (Annex 1B to the Regulation (CE) no. 1013/2006). The *form for circulation / shipments of waste* will be completed, submitted and stamped by the National Agency for Environmental Protection.

RoHS products are discussed in Directive 2002/95/CE of the European Parliament and Council (dated March 27 2003), concerning restrictions on the use of certain hazardous substances in electronic and electric equipment. Directive 2002/95/EC was transposed into national legislation by Government Decision no. 992/2005 on limiting the use of certain hazardous substances in electrical and electronic equipment.

Under Romanian law, lead, mercury, cadmium, hexavalent chromium, PBB, and PBDE's are not allowed.

U.S. exporters seeking more information on WEEE and RoHS regulations should visit: <http://www.buyusa.gov/europeanunion/weee.html>.

U.S. Export Controls

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Exports of goods and services are currently not subject to customs duties or VAT, and for the majority of goods, no export license is required. Authorizations are, however, required for exports of unfinished wood products, exports of dual-use items and technology, export refunds for agricultural products or carrying out operations with precious metals and stones.

Customs Procedures with Economic Impact

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The term “customs procedures with economic impact” is used for the following arrangements:

- customs warehousing;
- inward processing;
- processing under customs control;
- temporary importation;
- outward processing.

According to Article 85 from Community Customs Code, the use of any customs procedure with economic impact shall be conditional upon authorization being issued by the customs authorities.

Customs warehousing, inward processing, processing within customs, temporary importation, and outward processing are all considered customs procedures with an economic impact, requiring importers to post a bond, per local regulations.

The customs warehousing procedure shall allow the storage in a customs warehouse of:

- Non-Community goods, without such goods being subject to import duties or commercial policy measures;
- Community goods, where Community legislation governing specific fields provides that their being placed in a customs warehouse shall attract the application of measures normally attaching to the export of such goods

The inward processing procedure shall allow the following goods to be used in the customs territory of the Community in one or more processing operations:

- non-Community goods intended for re-export from the customs territory of the Community in the form of compensating products, without such goods being subject to import duties or commercial policy measures (suspension system);
- goods released for free circulation with repayment or remission of the import duties chargeable on such goods if they are exported from the customs territory of the Community in the form of compensating products (drawback system).

The procedure for processing under customs control shall allow non-Community goods to be used in the customs territory of the Community in operations which alter their nature or state, without their being subject to import duties or commercial policy measures, and shall allow the products resulting from such operations to be released for free circulation at the rate of import duty appropriate to them. Such products shall be termed processed products.

According to art 137 from Community Customs Code, **the temporary importation procedure** shall allow the use in the customs territory of the Community, with total or partial relief from import duties and without their being subject to commercial policy measures, of non-Community goods intended for re-export without having undergone any change except normal depreciation, due to making use of them.

In cases qualifying for partial exemption of customs duties, the duties are levied at 3% of the amount due, had the goods been imported. The duty is calculated for every month or partial month in which the goods are under temporary admission but the amount cannot exceed the total due had the goods been imported. In cases qualifying for total exemption of import duties, but which are subsequently imported, the taxation rate will be the one in force at the registration date of the import customs declaration.

According to art.145 from Community Customs Code, outward processing procedure shall allow Community goods to be exported temporarily from the customs territory of the Community in order to undergo processing operations and the products resulting from those operations to be released for free circulation with total or partial relief from import duties.

Labeling and Marking Requirements

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Manufacturers should be mindful that in addition to the EU's mandatory and voluntary schemes, national voluntary labeling schemes might still apply. These schemes may be highly appreciated by consumers, and thus, become unavoidable for marketing purposes. Manufacturers are advised to take note that all labels require metric units. The European Commission has encouraged the use of multilingual information on labels, while allowing member states to require the use of the local language. The EU has mandated that certain products be sold in standardized quantities. Council Directive 80/232/EC provides permissible ranges of nominal quantities, container capacities and volumes of a variety of products: http://europa.eu.int/eurlex/en/consleg/main/1980/en_1980L0232_index.html.

The EU adopted legislation in 1992, revised in 2000, to distinguish environmentally friendly production through a labeling scheme called the Eco-label. The symbol, a green flower, is a voluntary mark. The Eco-label is awarded to producers who can show that their product is less harmful to the environment than similar such products. This "green label" also aims to encourage consumers to buy green products. However, the scheme does not establish ecological standards that all manufacturers are required to meet to place product on the market. Products without the EU Eco-label can still enter the EU as long as they meet the existing health, safety, and environmental standards and regulations.

There are concerns in the United States that the EU Eco-labeling program may become

a de facto trade barrier; may not enhance environmental protection in a transparent, scientifically sound manner; may not be open to meaningful participation by U.S. firms; and may discriminate unfairly against U.S. businesses. The EU Eco-label is a costly scheme (up to EUR 1,300 for registration and up to EUR 25,000/ year for the use of the label, with a reduction of 25 percent for SMEs) and has therefore not been widely used so far. However, the Eco-label can be a good marketing tool and, given the growing demand for green products in Europe, it is likely that the Eco-label will become more and more a reference for green consumers.

An overview of EU mandatory and voluntary labeling and marking requirements has been compiled in a market research report that is available at:
http://www.buyusainfo.net/docs/x_4171929.pdf.

The subject has also been covered in the section about standards (see below).

Prohibited and Restricted Imports

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Prohibited imports include products such as firearms, ammunition, illegal drugs and other similar items that can affect national security, public health or “good morals.”

The EU’s online customs tariff database, also called the TARIC, is a multilingual database in which are integrated all measures relating to tariff, commercial and agricultural legislation. The TARIC is designed to show various rules applying to specific products being imported into the customs territory of the EU or, in some cases, when exported from it. To determine if a product is prohibited or subject to restriction, check the TARIC for that product for the following codes:

CITES	Convention on International Trade of Endangered Species
PROHI	Import Suspension
RSTR	Import Restriction

For information on how to access the TARIC, see the Import Requirements and Documentation Section above.

Key Link: http://ec.europa.eu/taxation_customs/common/databases/taric/index_en.htm

Customs Regulations and Contact Information

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An important objective of the European Community is the protection of the Member States companies from imported goods being dumped or subsidized. Accordingly, the EU has introduced anti-dumping duties for goods imported at very low or dumping prices and countervailing duties for goods that have received subsidies. Safeguard measures can also be implemented to assist domestic producers adversely affected by imports, and may consist of additional customs duties or quantitative restrictions (quotas).

Standards

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Overview

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The Romanian Standards Association (ASRO) is the only National Standards Body in Romania recognized as such by the Governmental Decision no. 985/2004. ASRO is a specialized private body of public interest in the standardization area, a non-profit association authorized by the Government.

The principal responsibilities of ASRO are:

- to carry out standardization policy;
- to coordinate and guide standardization activity;
- to coordinate and approve standardization program;
- to approve and publish Romanian standards;
- to represent Romanian interests in international, European and regional standards organizations;
- to organize the database of standards and technical normative regulations;
- to certify conformities to Romanian standards and
- to promote standardization in the economy.

The National Standardization Program is issued annually and is available on internet at the following address: <http://www.asro.ro/> – at the Standardization section, together with free access for the standards users to all the standardization products and services.

The Romanian Standards Body is a full Member of the European standards organizations, CEN and CENELEC. All Romanian standards are voluntary. All products tested and certified in the U.S. to American standards are likely to have to be retested and re-certified to European Union requirements as a result of the EU's particular approach to the protection of health and safety of consumers and the environment. Where products are not regulated by specific EU technical legislation, they are always subject to the EU's General Product Safety Directive as well as to possible additional national requirements.

Key link: http://ec.europa.eu/consumers/safety/prod_legis/index_en.htm#gpsd

European Union standards are harmonized across the 27 EU Member States, Croatia and European Economic Area countries to allow for the free circulation of goods. A feature of the New Approach is CE marking. While harmonization of EU legislation can facilitate access to the EU Single Market, manufacturers should be

aware that Regulations and technical standards might also function as barriers to trade if U.S. standards are different from those of the European Union.

The European Union is currently undertaking a major revision that will enhance some aspects, especially in the areas of market surveillance. To follow the revision, please visit:

Key link:

http://ec.europa.eu/enterprise/regulation/internal_market_package/index_en.htm

Agricultural Standards

The establishment of harmonized EU rules and standards in the food sector has been ongoing for several decades, but it took until January 2002 for the publication of a general Food Act establishing the general principles of EU Food legislation. This Regulation has introduced mandatory traceability throughout the feed and food chain as of Jan 1, 2005. For specific information on agricultural standards, please refer to the Foreign Agricultural Service's website at: <http://www.fas.usda.gov/posthome/useu/> .

Standards Organizations

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EU standards development is a process based on consensus initiated by industry or mandated by the European Commission and carried out by independent standards bodies, acting at the national, European or international level. Non-governmental organizations, such as environmental and consumer groups, are actively encouraged to participate in the process of European standardization.

Many standards in the EU are adopted from international standards bodies such as the International Standards Organization (ISO). The drafting of specific EU standards is handled by three European standards organizations:

- CENELEC, European Committee for Electrotechnical Standardization (<http://www.cenelec.org/Cenelec/Homepage.htm>)
- ETSI, European Telecommunications Standards Institute (<http://www.etsi.org/>)
- CEN, European Committee for Standardization, handling all other standards (<http://www.cen.eu/cen/pages/default.aspx>)

Standards are developed or amended by experts in Technical Committees or Working Groups. The members of CEN and CENELEC are the national standards bodies of the Member States, which have "mirror committees" that monitor and participate in ongoing European standardization. CEN and CENELEC standards are sold by the individual Member States standards bodies. ETSI is different in that it allows direct participation in its technical committees

from non-EU companies that have interests in Europe and gives away its individual standards at no charge on its website.

In addition to the three standards developing organizations, the European Commission plays an important role in standardization through its funding of the participation in the standardization process of small- and medium-sized companies and non-governmental organizations, such as environmental and consumer groups. The Commission also funds standards bodies when it mandates standards development to the European Standards Organization for harmonized standards that will be linked to EU technical Regulations. In the last year, the Commission began listing their mandates on line and they can be seen at http://ec.europa.eu/enterprise/policies/european-standards/index_en.htm .

All the EU harmonized standards, which provide the basis for CE marking, can be found on <http://www.newapproach.org/>.

Due to the EU's vigorous promotion of its regulatory and standards system as well as its generous funding for its business development, the EU's standards regime is wide and deep - extending well beyond the EU's political borders to include affiliate members such as Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Egypt, FYR of Macedonia, Georgia, Israel, Jordan, Lebanon, Libya, Republic of Moldova, Montenegro, Serbia, Tunisia, Ukraine, and Turkey. Another category, called "partner standardization bodies" includes the standards organizations of Australia, which has an interest in participating in specific CEN technical committees. Partners agree to pay a fee for full participation in certain technical committees and agree to implement the committee's adopted standards as national standards. Many other countries are targets of the EU's extensive technical assistance program, which is aimed at exporting EU standards and technical Regulations to developing countries, especially in the Mediterranean and Balkan countries, Africa, as well as programs for China and Latin America.

To know what CEN and CENELEC have in the pipeline for future standardization, it is best to visit their websites. CEN's "business domain" page provides an overview by sector and/or technical committee whereas CENELEC offers the possibility to search its database. ETSI's portal (http://portal.etsi.org/Portal_Common/home.asp) leads to ongoing activities.

European standards organizations have been looking for "new deliverables" which are standard-like products delivered in a shorter timeframe in order to respond and grow their market share. While few of these "new deliverables" have been linked to EU Regulations, expectations are that they will eventually serve as the basis for EU-wide standards.

Key Link: <http://www.cenorm.be/cenorm/workarea/sectorfora/index.asp>.

NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the

WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: <http://www.nist.gov/notifyus/>

Conformity Assessment

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Conformity assessment is a mandatory step for a manufacturer to comply with specific EU legislation. The purpose of conformity assessment is to ensure consistent compliance during all stages of the production process. A positive assessment facilitates acceptance of the final product. EU product legislation gives manufacturers some choice in conformity assessment, depending on the level of risk involved in the use of their product. These choices range from self-certification, type examination and production quality control system, to a full quality assurance system. A list of conformity assessment bodies by country are listed at this link:

Key Link: <http://ec.europa.eu/enterprise/newapproach/nando/>

To promote market acceptance of the final product, there are a number of voluntary conformity assessment programs. CEN's certification systems are the Keymark, the CENCER mark, and the European Standard Agreement Group. CENELEC has its own initiative. ETSI does not offer conformity assessment services.

Product Certification

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In order to sell products on the EU market, as well as Norway, Liechtenstein and Iceland, U.S. exporters are required to apply CE marking whenever their product is covered by specific product legislation. CE mark legislation offers manufacturers some choices but also some decision trees to determine which safety/health concerns must be addressed, which conformity assessment module is best suited to the manufacturing process, and whether or not to use EU-wide harmonized standards. Obtaining a CE mark is a complex process and the following is offered as general guidance.

Products manufactured to standards adopted by CEN, CENELEC and ETSI, and published in the Official Journal as harmonized standards, are presumed to conform to the requirements of EU Directives. The manufacturer then applies the CE mark and issues a declaration of conformity. With these, the product will be allowed to circulate freely within the EU. A manufacturer can choose not to use the harmonized EU standards, but then must demonstrate that the product meets the essential safety and performance requirements. Trade barriers occur when design, rather than performance, standards are developed by the relevant European standardization organization, and when U.S. companies do not have access to the standardization process through a European presence. The U.S. Commercial Service mission to the EU watch for such situations.

The CE mark addresses the requirements of national control authorities of EU Member States, and simplifies the task of market surveillance of regulated products. Although CE marking is intended primarily for inspection purposes by Member State inspectors, the consumer may perceive it as a quality mark.

The CE mark is not intended to include detailed technical information on the product, but there must be enough information to enable the inspector to trace the product back to the manufacturer or the authorized representative established in the EU. This detailed information should not appear next to the CE mark, but rather on the declaration of conformity, the certificate of conformity, or the documents accompanying the product.

Accreditation

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Independent certification bodies, known as notified bodies, have been officially accredited by competent authorities to test and certify to EU requirements. However, under U.S.-EU Mutual Recognition Agreements (MRAs), notified bodies based in the United States and referred to as conformity assessment bodies, are allowed to test in the United States to EU specifications, and vice versa. The costs for assessments in the U.S. are often significantly lower. At this time, the U.S.-EU MRAs cover the following sectors: EMC (in force), RTTE (in force), medical devices (in transition), pharmaceutical (on hold), recreational craft (in force) and marine equipment (in force). The U.S. Department of Commerce, National Institute of Standards and Technology (NIST), has a link on its website to American and European Conformity Assessment bodies operating under a mutual recognition agreement.

Accreditation is handled at Member State level. "European Accreditation" (http://www.european-accreditation.org/default_flash.htm) is an organization representing nationally recognized accreditation bodies. Membership is open to nationally recognized accreditation bodies in countries in the European geographical area that can demonstrate that they operate an accreditation system compatible with EN ISO/IEC **17011**.

Key Link: <http://ts.nist.gov/Standards/Global/mra.cfm>

Publication of Technical Regulations

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The *Official Journal* is the official gazette of the European Union. It is published daily on the internet and consists of two series covering draft and adopted legislation as well as case law, questions from the European Parliament, studies by committees, and related content (http://publications.europa.eu/official/chapter_en.htm). It lists the standards reference numbers linked to legislation: <http://www.newapproach.org/Directives/DirectiveList.asp>.

National technical Regulations are published on the Commission's website <http://ec.europa.eu/comm/enterprise/tris/> to allow interested parties to comment.

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT) Agreement to report to the WTO all proposed technical Regulations that could affect trade with other member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical Regulations that can affect your access to international markets. Register online at Internet URL: <http://tsapps.nist.gov/notifyus/data/index/index.cfm>

Labeling and Marking

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In addition to the EU's mandatory and voluntary schemes, national voluntary labeling schemes might still apply. These schemes may be highly valued by consumers, and thus, become unavoidable for marketing purposes.

Manufacturers are advised to take note that all labels require metric. The EU encourages multilingual labeling information, but preserves the right of Member States to require the use of local language in the country of consumption.

The EU has mandated that certain products be sold in standardized quantities. Council Directive 2007/45/EC, to replace 80/232/EC in April 2009, harmonizes packaging of wine and spirits throughout the EU. Existing national sizes will be abolished with a few exceptions for domestic producers.

Key Link: http://ec.europa.eu/enterprise/prepack/packsizes/packsizes_en.htm

The Eco-label

EU legislation distinguishes environmentally friendly products and services through a voluntary labeling scheme called the Eco-label. Currently, the scheme applies to seven product groups: cleaning products, appliances, paper products, clothing, lubricants, home and garden products and tourism services. The symbol, a green flower, is a voluntary mark to encourage consumers to buy "eco friendly products". The Eco-label is awarded to producers who can show that their product is less harmful to the environment than similar products. However, the scheme does not establish ecological standards that all manufacturers are required to meet to place product on the market. Products without the EU Eco-label can still enter the EU as long as they meet the existing health, safety, and environmental standards and Regulations.

Key Links: http://buyusainfo.net/docs/x_4284752.pdf
http://ec.europa.eu/comm/environment/ecolabel/index_en.htm
<http://www.eco-label.com/>

Trade Agreements

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Romania has signed a significant number of bilateral Double Tax Agreements (DTAs). Most of these agreements follow the OECD model. The Double Tax Agreements prevail over domestic legislation, provided that a certificate confirming the foreign fiscal residency of the taxpayer is presented to the Romanian tax authorities. The DTAs also contain provisions related to withholding taxes. Companies based in countries with which Romania has signed DTAs benefit from a reduced level of withholding taxes.

The revision made for the harmonization of the Fiscal Code with the VAT Directive no. 112/2006 by Law no. 343/2006 applicable from 01.01.2007 (since 01.01.2007 the Fiscal Code was revised several times the last revision being made by Law no. 188/2010) and a Fiscal Procedure Code entered into force in January 2004. The Fiscal Code provides for a significant simplification of taxation procedures as well as for harmonization with European Union fiscal practices.

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Chapter 6: Investment Climate

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Openness to Foreign Investment

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Encouraging Investment

Romania actively seeks direct foreign investment. Romania's marketplace offers 21.5 million consumers, a well-educated workforce, a strategic geographical location, and abundant natural resources, making it an attractive destination for investment. To date, favored areas for American investment include IT and telecommunications, energy, services, manufacturing, and consumer products.

Romania has taken steps to strengthen tax administration, enhance transparency, and create legal means to resolve contract disputes expeditiously. Mergers and acquisitions are subject to review by the Competition Council. Romania's accession to the European Union (EU) on January 1, 2007 has helped solidify institutional reform. However, judicial, legislative, and regulatory unpredictability continue to affect the investment climate.

Prospective U.S. investors should exercise careful due diligence, including consultation with competent legal counsel, when considering any investment. The Government of Romania (GOR) has, on occasion, allowed political interests to supersede accepted Western business practices in ways harmful to investor interests. Struggling to reduce its budget deficit, the GOR in 2010 instructed state-owned energy companies, including

those with private shareholder interests, to transfer a portion of their cash reserves to the state budget as a “donation,” without consulting private shareholders in advance.

U.S. companies establish a local presence in the Romanian market in several ways. Many sign distribution agreements with local Romanian firms, which bring experience, expertise and access to the partnerships. Other firms cover Romania through a regional distributor or sales representative. Still other American companies choose Romania as a base for manufacturing or distribution, and establish a subsidiary directly in the country. The choice of strategy depends on the industry, the nature of the customer (government buyer or retail trade), and the business case. Companies relying on regular access to the GOR, or that have a significant service component, generally seek to establish a subsidiary, sometimes through acquisitions.

Investments involving the public authorities (central government ministries, county governments, or city administrations) are generally more complicated than investments or joint ventures with private Romanian companies. Large deals involving the government – particularly public-private partnerships and privatizations of key state-owned enterprises – can become stymied by vested political and economic interests, or bogged down due to a lack of coordination between government ministries. While a Public-Private Partnership (PPP) Law was passed by the GOR in 2010, there are concerns that the new law – which allows public authorities to award PPP projects without competition – may not facilitate private investment as originally anticipated. How the new PPP law will be implemented will be of considerable interest in the next few years. Investors have generally encountered greater success with less complex agreements, involving small- to medium-sized private and state enterprises.

EU Accession

Romania became a member of the European Union on January 1, 2007. The country has worked assiduously to create a legal framework consistent with a market economy and investment promotion, and has largely concluded its efforts to enact EU-compatible legislation. At the same time, implementation of these laws and regulations frequently lags or is inconsistent. The U.S. Department of Commerce recognized Romania as a market economy for anti-dumping investigation purposes beginning in March 2003.

Legal Framework

Romania's legal framework for foreign investment is encompassed within a substantial body of law, largely enacted in the late 1990s, and has been subject to frequent revision. Investors are strongly encouraged to engage local counsel to navigate the various laws, decrees, and regulations, as several pieces of investor-relevant legislation were challenged in both local courts and the Constitutional Court in 2010.

This body of legislation and regulation provides national treatment for foreign investors, guarantees free access to domestic markets, and allows foreign investors to participate in privatizations. There is no limit on foreign participation in commercial enterprises. Foreign investors are entitled to establish wholly foreign-owned enterprises in Romania (although joint ventures are more typical), and to convert and repatriate 100% of after-tax profits. Foreign firms are allowed to participate in the management and administration of the investment, as well as to assign their contractual obligations and rights to other Romanian or foreign investors.

Foreign investors may engage in business activities in Romania by any of the following methods:

- Setting up new commercial companies, subsidiaries or branches, either wholly-owned or in partnership with Romanian natural or legal persons;
- Participating in the increase of capital of an existing company or the acquisition of shares, bonds, or other securities of such companies;
- Acquiring concessions, leases or agreements to manage economic activities, public services, or the production of subsidiaries belonging to commercial companies or state-owned public corporations;
- Acquiring ownership rights over non-residential real estate improvements, including land, via establishment of a Romanian company;
- Acquiring industrial or other intellectual property rights;
- Concluding exploration and production-sharing agreements related to the development of natural resources.

Foreign investor participation can take the form of: foreign capital, equipment, means of transport, spare parts and other goods, services, intellectual property rights, technical know-how and management expertise, or proceeds and profits from other businesses carried out in Romania. Foreign investment must comply with environmental protection, national security, defense, public order, and public health interests and regulations.

There have been few hostile take-over attempts reported in Romania, and as a result Romanian law has not focused on limiting potential mergers or acquisitions. There are no Romanian laws prohibiting or restricting private firms' free association with foreign investors.

In 2010, Romania extensively revised its competition legislation, bringing it closer to the EU *acquis communautaire* and best corporate practices. Companies with a market share below 40% are no longer considered to have a dominant market position, thus avoiding a full investigation by the Romanian Competition Council (RCC) of new agreements, saving considerable time and money for all parties involved. Resale price maintenance and market and client sharing are still prohibited, regardless of the size of either party's market share. In an effort to reduce the number of frivolous legal challenges to fines imposed for anti-competitive practices, the law now requires companies to front a deposit equal to 30% of the fine while awaiting a court decision on the merits of the complaint.

In an effort to increase the absorption of EU funds, revisions to the public procurement law in December 2010 increased the open tender threshold for public projects to 4.485 million euro from 1 million euro. Government projects falling under the 4.485 million euro threshold have the option of being tendered through a "call for bids" to at least three companies. Additionally, the amendments stipulate that public procurement awards can only be challenged with the National Complaint Council (NCC). The NCC's decision is binding, even if the contracting authority or a bidder challenges the decision in court.

Privatization

The State Asset Resolution Authority (AVAS) is responsible for privatizing state-owned industrial assets and managing them during the privatization process. The Ministry of Economy, Trade and the Business Environment oversees energy assets. Romania's privatization law permits the responsible authority to hire an agent to handle the entire privatization process, though ultimate decision-making authority remains with the Government.

Major energy sector privatizations remain stalled. After having successfully privatized 87 of its micro hydropower plants (HPP) to Romanian and foreign investors, the state-owned hydro power producer, Hidroelectrica, has halted divestiture of the remaining 63 micro HPPs. In the meantime, the GOR is attempting to consolidate its remaining energy assets into two fully integrated, state-owned companies, which makes any further privatizations in the energy sector unlikely in the near term.

As an alternative to privatization, however, state-owned energy companies are seeking joint ventures with private investors for electric power production, as well as onshore and offshore oil and gas exploration. In order to raise money for the state budget, the Ministry of Economy has begun the process of selling 9.84% of the GOR's minority stake in OMV/Petrom, Romania's largest oil company, in 2011.

Prospective investors are strongly advised to conduct thorough due diligence before any acquisition, particularly of state-owned assets. Some firms have found it advantageous to purchase industrial assets through AVAS's budget arrears recovery process rather than through direct privatization. When utilized, this method may avoid assuming historical debt or encumbering labor agreements.

As a member of the EU, Romania is required to notify the European Commission's General Directorate for Competition regarding significant privatizations and related state aid. Prospective investors should seek assistance from legal counsel to ensure compliance by relevant government entities. GOR failure to consult with, and then formally notify, the European Commission properly has resulted in delays and complications in some previous privatizations. Some investors have also experienced problems due to the occasional failure of GOR entities to fully honor contractual obligations following conclusion of privatization agreements.

Romanian law allows for the inclusion of confidential clauses in privatization and public-private partnership contracts to protect business proprietary and other information. However, in certain high-profile privatizations, Parliamentary action has compelled the public disclosure of such provisions.

Property and Contractual Rights

Property and contractual rights are recognized, but enforcement through the judicial process can be lengthy, costly, and difficult. Foreign companies engaged in trade or investment in Romania often express concern regarding the Romanian courts' lack of expertise in commercial issues. Judges generally have limited experience in the functioning of a market economy, international business methods, intellectual property rights, or the application of Romanian commercial and competition laws. Even when court judgments are favorable, enforcement of judgments is inconsistent and can require further lengthy appeals.

The Heritage Foundation's Economic Freedom Report ranked Romania 29th out of 43 countries in the Europe region in 2010, with an overall score higher than the world average; Romania has demonstrated slow but steady improvement in the index in recent years. The report points out, however, that labor freedom, property rights, and freedom from corruption lag behind other countries in the region, and that Romania's judiciary remains vulnerable to corruption and inefficiency. In Transparency International's Corruption Perception Index, Romania lost ground in 2008-2009 after steady improvement leading up to EU accession in 2007.

Measure	Year	Index/Ranking
Transparency International Corruption Perception Index	2010	69
	2009	71
	2008	70
	2007	69
	2006	84
	2005	85
Heritage Foundation Index of Economic Freedom score	2011	63
	2010	63
	2009	71
	2008	70
	2007	69
	2006	84
World Bank Doing Business ranking	2011	56
	2010	55
	2009	45

Conversion and Transfer Policies

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Romanian legislation does not restrict the conversion or transfer of funds associated with direct investment. All profits made by foreign investors in Romania may be converted into another currency and transferred abroad at the market exchange rate after payment of taxes.

Romania's national currency, the Leu, is freely convertible in current account transactions, in accordance with the International Monetary Fund's (IMF) Article VII. Proceeds from the sale of shares, bonds, or other securities, as well as from the conclusion of an investment, can also be repatriated. There is no limitation on the inflow or outflow of funds for remittances of profits, debt service, capital gains, returns on intellectual property, or imported inputs.

In 1997, the GOR implemented new regulations that liberalized foreign exchange markets. The inter-bank electronic settlement system became fully operational in 2006, eliminating past procedural delays in processing capital outflows. Commission fees for real-time electronic banking settlements have gradually been reduced.

Capital inflows are free from restraint, as well. Romania concluded capital account liberalization in September 2006, with the decision to permit non-residents and residents abroad to purchase derivatives, treasury bills, and other monetary instruments.

Expropriation and Compensation

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The law on direct investment includes a guarantee against nationalization and expropriation or other equivalent actions. The law allows investors to select the court or arbitration body of their choice to settle disputes. Five cases against Romania are pending with the International Center for Settlement of Investment Disputes (ICSID). Several cases involving investment property nationalized during the Communist era also remain unresolved.

Dispute Settlement

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Arbitration

Romania increasingly recognizes the importance of arbitration in the settlement of commercial disputes. Many agreements involving international companies and Romanian counterparts provide for the resolution of disputes through third-party arbitration. Romania is a signatory to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards. Romania is also a party to the European Convention on International Commercial Arbitration concluded in Geneva in 1961 and is a member of ICSID.

Romanian law and practice recognize applications to other internationally-known arbitration institutions, such as the ICC Paris Court of Arbitration and the Vienna United Nations Commission on International Trade Law (UNCITRAL). Romania also has an International Commerce Arbitration Court administered by the Chamber of Commerce and Industry of Romania. Arbitration awards are enforceable through Romanian courts under circumstances similar to those in other Western countries, although legal proceedings can be protracted.

Mediation

Mediation as a tool to resolve disputes is gradually becoming more common in Romania. Mediation became a legal profession in 2006 when the Romanian Parliament passed legislation recognizing it and establishing a certifying body, the Mediation Council, to set standards and practices. The professional association, The Union of Mediation Centers in Romania, is the umbrella organization for mediators throughout the country. There are recognized mediation centers in every county seat where court-sanctioned and private mediation is available.

There is no legal mechanism for court-ordered mediation in Romania, but judges can encourage litigants to use mediation to resolve their cases. If litigants opt for mediation, then upon completion of the mediation process they must present their proposed resolution to the judge who must approve the agreement. The Union of Mediation Centers is a member of the European Mediation Network Initiative and is recognized by the European Union and other regional bodies.

Bankruptcy

Romania's bankruptcy law contains provisions for liquidation and reorganization that are generally consistent with Western legal standards. These laws usually emphasize enterprise restructuring and job preservation. Legal and economic education and the training of judges and lawyers lag behind law-making, which often results in inconsistent outcomes. To mitigate the time and financial costs of bankruptcies, Romanian legislation provides for administrative liquidation as an alternative to bankruptcy. However, investors and creditors have complained that the liquidators sometimes lack the incentive to expedite liquidation proceedings, and that, in some cases, their decisions have served vested outside interests. Both state-owned and private companies tend to opt for judicial reorganization to avoid bankruptcy.

A law passed in December 2009 institutes a debt settlement mechanism, Company Voluntary Agreements (CVAs), as a means for creditors and debtors to establish partial debt service schedules without resorting to bankruptcy proceedings.

Performance Requirements and Incentives

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Incentives

Currently, customs and tax incentives are available to investors in six free trade zones. State aid is available for investments in free trade zones under EU regional development assistance rules. Large companies may receive aid up to 50% of their eligible costs (limited to 40% in Bucharest and surrounding Ilfov County), while small- and medium-sized enterprises (SMEs) may receive assistance of up to 65% of their eligible costs. Prospective investors are advised to thoroughly investigate and verify the current status of state incentives.

In 2007, Romania adopted EU regulations on regional investment aid, and instituted state aid schemes for large investments and SMEs. To benefit from state aid under these schemes, the applicant must secure financing that is separate from any public support for at least 25% of the eligible costs, either through their own resources or through external financing. The applicant must document this financing in strict accordance with Ministry of Finance guidelines. Amendments made in 2010 to the state aid scheme for regional projects score applications based not only on the economics of the project, but also on the GDP per capita and unemployment rate for the country of intended investment. In practice, unfortunately, GOR budget constraints and a less-than-fully transparent application process have limited access to these forms of state aid. Different ministries and government entities manage the various state aid schemes, and the rules and procedures are complex. Companies interested in state aid are encouraged to seek competent counsel.

To reduce initial startup costs, a system of industrial and technological parks is being created. Tax incentives are available for the park operator, while companies establishing themselves in the park benefit from access to utility hookups and infrastructure, as well as from potential local tax rebates under regional development aid schemes. There are 62 such parks throughout Romania.

In 2010, the GOR revised the Green Certificate System by amending the Renewable Energy Law to provide incentives to certain types of renewable energy. The Green Certificates are traded in parallel with the energy produced, providing an additional source of revenue for renewable energy producers. The changes, once in effect, will

repeal currently available incentives, such as splitting grid connection costs between the producer and the grid operator, and the possibility of applying for a government guarantee of up to 50% of the value of a medium- or long-term investment. The revised law is currently undergoing review by the European Commission due to concerns that the revised Green Certificate System will unfairly compensate certain renewable technologies, such as solar, over others.

As a member of the EU, Romania must receive European Commission (EC) approval for any state aid it grants that is not covered by the EU's block exemption regulations. The Romanian Competition Council acts as a clearinghouse for the exchange of information between the Romanian authorities and the EC. Specifically, the Council screens state aid notifications and provides an initial opinion to state aid grantors as to whether the request is consistent with EU directives, allowing for an opportunity to revise or withdraw a request before it is submitted to the Commission. Even after submission, the Council retains jurisdiction over competition and antitrust matters. The failure of state aid grantors to notify the EC properly of aid associated with privatizations has resulted in the Commission launching formal investigations into several privatizations. Investors should ensure that the government entities with which they work fully understand and fulfill their duty to notify competition authorities. Investors may wish to consult with EU and Romanian competition authorities in advance, to ensure a proper understanding of notification requirements.

Companies operating in Romania can also apply for aid under EU-funded programs that are co-financed by Romania. When planning the project, prospective applicants must bear in mind that the project cannot start before the financing agreement is finalized; the application, selection and negotiation process can be lengthy. Applicants also must secure financing for non-eligible expenses and for their co-financing of the eligible expenses. Finally, reimbursement of eligible expenses – which must be financed up front by the investor – is often very slow. In an effort to increase the rate of EU funds absorption, Romania has amended the regulations to allow applicants to use the assets financed under EU-funded programs as collateral. However, understaffing and a lack of expertise on the part of GOR management entities, cumbersome procedures, and applicants' difficulty obtaining private financing still remain as significant obstacles to improved EU funds absorption by Romania.

Tax System

Since 1999, Romania has revised its tax system to bring it closer both to EU models and to the recommendations of the World Bank and IMF. In 2004, Romania adopted a flat tax of 16% on both personal income and corporate profit taxes, and simplified the tax code. The GOR reduced employers' payroll taxes by 2% in 2007 and by an additional 6%, in three stages, in 2008. In 2009, the newly-elected Government rolled back some of these reductions. For employment taking place in normal working conditions, payroll taxes are now 31.3%, with 10.5% payable by the employee and 20.8% by the employer (up from 27.5%, 9.5%, and 18%, respectively). For jobs with high mortality or disease rates, total payroll taxes are 36.3%, with employees paying 10.5% and employers 25.8% (compared to 32.5%, 9.5%, and 23% previously). For certain professions such as mining and aviation, where workers may be exposed to high levels of radiation, the current rate is 41.3%, with 10.5% paid by the employee and 30.8% by the employer (an increase from 37.5%, 9.5%, and 28% respectively). Accident and risk fund contributions

range from 0.15% to 0.85%, depending on the company risk class (previously 0.4% to 2%). Rates for medical and unemployment insurance have remained unchanged.

Beginning in July 2010, Romania increased the standard value added tax (VAT) rate from 19% to 24%. Investors should be aware that, due to budget constraints, the GOR has regularly delayed VAT reimbursements owed to foreign companies for extended periods of time, especially if the amount to be reimbursed is large. The country is fully integrated with EU customs, excise tax, and VAT transfer systems.

Tariff Preferences

Upon EU accession, Romania implemented the EU Common Customs Tariff, the Generalized Preference Scheme, EU commercial safeguards, preference agreements and cooperation agreements concluded by the EU with third countries, as well as other EU commercial commitments vis-à-vis the World Trade Organization (WTO).

Right to Private Ownership and Establishment

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The Romanian Constitution, adopted in December 1991 and revised in 2003, guarantees the right to ownership of private property. Mineral and airspace rights, and similar rights, are excluded from private ownership. Under the revised Constitution, foreign citizens can gain land ownership through inheritance. With EU accession, citizens of EU member states can now own land in Romania, subject to reciprocity in their home country.

Companies owning foreign capital may acquire land or property needed to fulfill or develop company goals. If the company is dissolved or liquidated, the land must be sold within one year of closure, and may only be sold to a buyer(s) with the legal right to purchase such assets. For a period of seven years after Romania's accession to the EU, foreign investors may not purchase agricultural land, forests, or forestry land (except for farmers acting as commercial entities). Investors can purchase shares in agricultural companies that lease land in the public domain from the State Land Agency.

Mortgages

In early 2006, the Parliament passed legislation that regulates the establishment of specialized mortgage banks, including the possibility of transforming existing non-banking mortgage credit institutions into specialized mortgage banks. The law also makes possible a secondary mortgage market, by regulating mortgage bond issuance mechanisms. Mortgage loans are offered by commercial banks, specialized mortgage banks, and non-bank mortgage credit institutions. Romania's mortgage market is now almost entirely private (although the state-owned National Savings Bank, or CEC, also offers mortgage loans).

The primary mortgage market demonstrated robust growth until the third quarter of 2008. Since then, credit has tightened in response to the international financial crisis and the implementation of much stricter national regulations on borrower qualifications. For loans denominated in Romanian lei (RON), standard banks charge three-month ROBOR (currently 6.6%), plus a spread of interest and commission fees, for up to 30 years. For euro-denominated loans, banks currently charge three-month EURIBOR,

plus a spread of interest and commission fees, for up to 30 years. In response to the international financial crisis, many banks have cut back on mortgage lending and tightened qualifying conditions for prospective borrowers.

Protection of Property Rights

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Romania is a signatory to international conventions concerning intellectual property rights (IPR), including TRIPS, and has enacted legislation protecting patents, trademarks, and copyrights. Romania signed the Internet Convention to protect online authorship. While the IPR legal framework is generally good, enforcement in some areas remains weak and ineffectual. The flagrant trade of retail pirated goods has largely been eliminated, but unlicensed use of software and personal use of pirated audio-video products remains high. The recording and film industries have expressed concern over increasing levels of Internet-based piracy. Romania has passed broad IPR control enforcement provisions, as required by the WTO, yet judicial enforcement remains lax.

Patents

Romania is a party to the Paris Convention for the Protection of Industrial Property, and subscribes to all of its amendments. Romanian patent legislation generally meets international standards, with foreign investors accorded equal treatment with Romanian citizens under the law. Patents are valid for 20 years. Romania has been a party to the European Patent Protection Convention since 2002.

Trademarks

In 1998, Romania passed a trademark and geographic indications law, which was amended in 2010 to make it fully consistent with equivalent EU legislation. Romania is a signatory to the Madrid Agreement relating to the international registration of trademarks and the Geneva Treaty on Trademarks. Trademark registrations are valid for ten years from the date of application and renewable for similar periods. In 2007, Romania ratified the Singapore Treaty on the Law of Trademarks.

Copyrights

Romania is a member of the Bern Convention on Copyrights. The Romanian Parliament has ratified the latest versions of the Bern and Rome conventions. The Romanian Copyright Office (ORDA) was established in 1996, and promotes and monitors copyright legislation. The General Prosecutor's Office (GPO) provides national coordination of IPR enforcement, but copyright law enforcement remains a low priority for Romanian prosecutors and judges. Many magistrates still tend to view copyright piracy as a "victimless crime" and this attitude, coupled with a lack of resources, has resulted in weak enforcement of copyright law. Due to increasing online piracy, copyright infringement of music and film is widespread throughout Romania.

Semiconductor Chip Layout Design

Romanian law protects semiconductor chip layout design. In order to benefit, designs must be registered with the Romanian Inventions and Trademark Office. Romania is a signatory to the Washington Treaty.

Transparency of Regulatory System

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Cumbersome and non-transparent bureaucratic procedures are a major problem in Romania. Foreign investors point to the excessive time it takes to secure necessary zoning permits, environmental approvals, property titles, licenses, and utility hook-ups. National and local officials often cannot provide potential investors with clear and comprehensive information on what permits or approvals are needed, or how they are to be obtained. Set fees for certain services, such as utilities, may not exist or may be subject to “negotiation” with local authorities. Romania enacted a “Silent Approval” Law in 2003 to reduce bureaucratic delays, but it has yet to be universally enforced or recognized. Additionally, regulations change frequently, often without advance notice, and may be vaguely worded and poorly explained. These changes, which can significantly add to the costs of doing business, can complicate investors' business plans.

Romanian law requires consultations with the private sector and a 30-day comment period on legislation or regulation affecting the business environment (the “Sunshine Law”). Unfortunately, not all government entities adhere to this requirement consistently. In many cases, even when the comment period is respected, public input does not appear to be considered seriously or incorporated into the final version. There have also been cases of authorities posting one version for public comment, but adopting a different version in the final instance.

Both Romanian and EU state aid regulations (directly applicable to Romania after January 1, 2007) aim to limit state aid in any form, such as direct state subsidies, debt rescheduling schemes, debt for equity swaps, or discounted land prices. The EC must be notified of, and approve, GOR state aid that exceeds the pre-approved monetary threshold for the corresponding category of aid.

Efficient Capital Markets and Portfolio Investment

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Capital Markets

Romania seeks to develop efficient capital markets. The National Securities Commission (CNVM) is responsible for regulating the securities market. In order to protect investors, the CNVM implements the registration and licensing of brokers and financial intermediaries, the filing and approval of prospectuses, and the approval of market mechanisms.

The Bucharest Stock Exchange (BVB) resumed operations in 1995, after a hiatus of 50 years. The BVB operates a three-tier system that, at present, lists a total of 100 companies, with 21 companies in the highest tier. The official index, BET, is based on a basket of the 10 most active stocks listed, while the BET-C index follows the trend of all stocks listed on the BVB. The BVB also has a RASDAQ (OTC) market segment that

currently lists 1,331 different stocks. The BVB allows trade in corporate, municipal, and international bonds, and in 2007, the BVB opened derivatives trading.

Despite lower trading fees and a diversified securities listing, the situation on the international capital and financial markets has adversely affected the Romanian capital market. Country funds, hedge funds and venture capital funds continue to participate in the capital markets, yet on a decreasing scale.

Minority shareholders have the right to participate in any capital increase. Romanian capital market regulation is now EU-consistent, with accounting regulations incorporating EC Directives IV and VII.

Banking Sector

There are 42 banks and credit cooperative unions currently operating in Romania. The largest, Romanian Commercial Bank (BCR), was privatized in 2006 to Erste Bank of Austria and has a 19% market share. The second-largest is French-owned Romanian Bank for Development (BRD-Société Générale) with 14.1% market share, followed by Austrian-owned Volksbank (6.6%) and Greece's Alpha Bank (6.4%). Other large banks include state-owned CEC Bank (6.3%), Italy's UniCreditTiriac Bank (6.1%), Austrian-owned Raiffeisen Bank (6.0%), and the privately-owned Romanian Banca Transilvania (5.9%).

According to the National Bank of Romania, overdue and doubtful loans now account for 2.67% of total bank loans, and 1.82% of total banking assets.

The GOR has encouraged foreign investment in the banking sector, and there are no restrictions on mergers and acquisitions. The only remaining state-owned banks are the National Savings Bank (CEC Bank) and Eximbank, comprising 8% of the market combined.

While the National Bank of Romania must approve all new non-EU banking entities, banks and non-banking financial institutions already approved in other EU countries need only notify the National Bank of plans to provide local services.

Competition from State Owned Enterprises

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Private enterprises compete with public enterprises under the same terms and conditions with respect to market access and credit. Energy production, transportation, and mining are majority state-owned sectors, while the government retains a monopoly on electricity and natural gas distribution.

While state-owned oil and gas companies received exploration and extraction licenses through direct allocation before 1989, they are now required to compete in transparent tenders organized by the National Agency for Mineral Resources. The most recent tender was held in May 2010, and foreign companies successfully competed for awards against consortia including Romanian state companies. Improved transparency in decision making will help ensure fair access to state aid for both private enterprises and state-owned enterprises (SOEs).

SOE senior management reports directly to the relevant ministry, and board seats are specifically allocated to ministry representatives. SOEs are required by law to publish an annual report. Majority state-owned companies that are publicly listed, as well as state-owned banks, are required to be independently audited.

Corporate Social Responsibility

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Corporate social responsibility (CSR), as a concept, is becoming increasingly common in Romanian business, driven primarily by multinational companies infusing their corporate culture into the local market. Virtually all foreign enterprises in Romania have some kind of CSR program, and most follow generally accepted CSR principles, such as the OECD Guidelines for Multinational Enterprises. Romanian legislation allows companies to allocate part of their corporate income tax (a maximum of 0.3% of turnover and 20% of total corporate income tax due) for CSR under the sponsorship law.

Political Violence

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There have been no reported incidents of politically-motivated damage to foreign investments (projects and/or installations) in Romania. Major civil disturbances are not expected to occur in the country in the near future.

Corruption

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Despite some improvement, corruption remains a serious problem. Romania was the second-lowest ranked among EU member states in Transparency International's (TI) 2010 Corruption Perception Index. According to the EC's 2010 Report on Progress under the Cooperation and Verification Mechanism in Romania, the efficiency of the judicial process and the consistency of jurisprudence remain fundamental weaknesses of the Romanian judicial system. International organizations such as TI and local non-governmental "watchdog" organizations are present in the country.

U.S. investors have complained of both government and business corruption in Romania, with the customs service, municipal officials, and local financial authorities most frequently named. In some cases, demands for payoffs by low- to mid-level officials reach the point of harassment.

Romanian law and regulations contain provisions intended to prevent corruption, but enforcement is generally weak. Corruption is currently punishable under a variety of statutes in the penal code. Prison sentences are sometimes imposed, but powerful and influential individuals have often evaded prosecution or conviction. Under pressure from the EU, the GOR is attempting to prosecute several high-level political officials from previous governments, including a former Prime Minister.

The Government announced a National Anti-Corruption Plan and passed an anti-corruption law in April 2003. The plan contains an impressive list of measures and benchmarks for evaluating the GOR's commitment to combating corruption. A national

strategy to combat corruption in local public administration was adopted in June 2008, but implementation of these measures and commitments has lagged.

In December 2002, Romania passed an anti-money laundering and terrorism financing law, which was amended in April 2008. With U.S. assistance, in September 2002 the GOR established the National Anti-Corruption Prosecutors' Office (PNA) under the Prosecutor General, staffed by prosecutors and police; the PNA was upgraded to the National Anti-Corruption Directorate (DNA) in 2005 and given significant autonomy, though it still formally reports to the Prosecutor General. A new criminal code and civil code were passed in 2003; these substantive codes were followed in late 2010 by passage of new versions of the respective procedural codes, which should take effect in early 2012 once prosecutors, judges and attorneys are fully familiarized with them. In 2007 Romania also established the National Integrity Agency (ANI), which is tasked with collecting, managing and auditing compulsory comprehensive financial disclosure statements submitted annually by some 100,000 politicians and public sector employees at all levels. ANI has administrative powers only to identify conflicts of interest and questionable increases in personal assets. It must then forward such cases to prosecutorial authorities for further legal action. In 2010 a Constitutional Court ruling brought into question ANI's legal status, but after a contentious battle involving all three branches of government the GOR succeeded in passing legislation that allowed ANI to retain its jurisdiction and authority.

Bucharest hosts the 13-member Southeast European Cooperation Initiative (SECI) Regional Center for Combating Corruption and Organized Crime, which will eventually become the Southeast European Law Enforcement Center (SELEC) once two thirds of the Member States have deposited their instruments of ratification, acceptance, and approval. Romania is one of the three members of the SELEC Joint Cooperation Committee. Romania has signed and ratified the Agreement on Cooperation to Prevent and Combat Trans-border Crime of May 1999.

In March 2002, to reduce corrupt practices in public procurement, the GOR inaugurated a web-based e-procurement system (<http://www.e-licitatie.ro/>). Initiated with seed money from the U.S. Agency for International Development (USAID), the system provides a transparent listing of both ongoing and closed solicitations, with the names of the winners and the closing prices made available to the public. The use of "e-licitatie" has increased government efficiency, reduced vulnerability to corruption, and improved fiscal responsibility in government procurement. E-procurement has grown from 159 government clients and 600 suppliers in its initial months, to 222 contracting entities (including state entities, and public and private beneficiaries of EU funds, which are required by law to abide by public procurement legislation) and 30,106 suppliers. At first the system was used solely for basic, straightforward procurements but now more complex projects are included, such as EU-funded programs.

Romania's public procurement law, passed in 2006 and amended on several occasions, establishes ex-ante controls on public procurement processes, stricter rules on eligible participants, and an appeals mechanism for complaints against the process. The National Agency for Public Procurement has general oversight over procurements and can draft legislation, but procurement decisions remain with the procuring entities. Notably, procurements of goods and services for projects that receive EU funding have to comply with the public procurement law.

Court System

The Romanian judicial system suffers from corruption, inefficiency, lack of expertise, and excessive workloads. Divergent and often contradictory rulings are not uncommon, complicating normal commercial activities. Companies routinely complain that commercial disputes take too long to resolve through the court system and, once a verdict is reached, court orders may not be enforced. Errors in court procedures, whether peripheral to the outcome or not, may result in complete retrials, further delaying verdicts. Courts are overburdened and the number of magistrates and judges is too small. Litigants in virtually all cases have a right to two appeals, contributing to clogs in court dockets throughout the system and lengthy delays. Final judgments are not binding until all appeals are exhausted. Clerks, attorneys and judges reportedly remain susceptible to bribes or other "extra-judicial" payments, most commonly to "speed up" litigation, to assure a particular judge is assigned to a case, or to create intentional procedural errors leading to retrial. Magistrates across Romania went on strike for several weeks in fall 2009 to protest proposed changes to their wages and bonus payments, paralyzing the court system and adding to already lengthy case backlogs.

Cyber Crime

Romania has one of the world's highest occurrences of Internet fraud. The problem is illustrated by a growing stream of complaints, some of which involve U.S. companies and their customers being defrauded of millions of dollars. The most common problems result from the use of stolen credit card numbers for the purchase of goods online, fraudulent use of online auction platforms, and sophisticated phishing schemes to defraud customers of legitimate e-commerce companies.

Romanian hackers also have gained notoriety for hacking into U.S. companies' servers and stealing proprietary information, including customer credit card data. There have been cases where Romanian hackers have offered to sell the method by which they hacked into a U.S. company's server back to the victim. On other occasions, hackers have attempted blackmail by threatening to release sensitive data or the means to hack the system, unless a specific amount of money is paid.

An e-commerce law that defines and punishes cyber crime came into force in July 2002. Law enforcement efforts are still not commensurate with the scale of the problem, but enforcement activities have increased notably, thanks in part to substantial assistance U.S. law enforcement agencies are providing their Romanian counterparts. Several recent investigations into cyber crime, and continuing arrests by Romanian authorities, may serve as a deterrent to new cyber criminals.

Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an

effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

U.S. Foreign Corrupt Practices Act: In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at:
<http://www.justice.gov/criminal/fraud/>

Other Instruments: It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. This country is party to [add instrument to which this country is party], but generally all countries prohibit the bribery and solicitation of their public officials.

OECD Antibribery Convention: The OECD Antibribery Convention entered into force in February 1999. As of December 2009, there are 38 parties to the Convention including the United States (see <http://www.oecd.org/dataoecd/59/13/40272933.pdf>). Major exporters China, India, and Russia are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA. [Insert information as to whether your country is a party to the OECD Convention.]

UN Convention: The UN Anticorruption Convention entered into force on December 14, 2005, and there are 143 parties to it as of December 2009 (see <http://www.unodc.org/unodc/en/treaties/CAC/signatories.html>). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption

instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. [Insert information as to whether your country is a party to the UN Convention.]

OAS Convention: In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 33 parties (see <http://www.oas.org/juridico/english/Sigs/b-58.html>) [Insert information as to whether your country is a party to the OAS Convention.]

Council of Europe Criminal Law and Civil Law Conventions: Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 46 member States (45 European countries and the United States). As of December 2009, the Criminal Law Convention has 42 parties and the Civil Law Convention has 34 (see www.coe.int/greco.) [Insert information as to whether your country is a party to the Council of Europe Conventions.]

Free Trade Agreements: While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: <http://www.ustr.gov/trade-agreements/free-trade-agreements>. [Insert information as to whether your country has an FTA with the United States: Country [X] has a free trade agreement (FTA) in place with the United States, the [name of FTA], which came into force. Consult USTR Website for date: <http://www.ustr.gov/trade-agreements/free-trade-agreements>.]

Local Laws: U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department's U.S. and Foreign Commercial

Service can provide assistance with navigating the host country's legal system and obtaining a list of local legal counsel.

Assistance for U.S. Businesses: The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company's overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at www.trade.gov/cs.

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department's Advocacy Center and State's Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center "Report [A Trade Barrier](http://tcc.export.gov/Report_a_Barrier/index.asp)" Website at tcc.export.gov/Report_a_Barrier/index.asp.

Guidance on the U.S. FCPA: The Department of Justice's (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department's present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ's Fraud Section Website at www.justice.gov/criminal/fraud/fcpa. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at http://www.ogc.doc.gov/trans_anti_bribery.html. More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

Anti-Corruption Resources

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a "Lay-Person's Guide to the FCPA" is available at the U.S. Department of Justice's Website at: <http://www.justice.gov/criminal/fraud/fcpa>.
- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: http://www.oecd.org/departement/0,3355,en_2649_34859_1_1_1_1_1,00.html. See

also new Antibribery Recommendation and Good Practice Guidance Annex for companies: <http://www.oecd.org/dataoecd/11/40/44176910.pdf>

- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: http://www.ogc.doc.gov/trans_anti_bribery.html.
- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: http://www.transparency.org/policy_research/surveys_indices/cpi/2009. TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See <http://www.transparency.org/publications/gcr>.
- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 212 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See http://info.worldbank.org/governance/wgi/sc_country.asp. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: <http://go.worldbank.org/RQQXYJ6210>.
- The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See <http://www.weforum.org/en/initiatives/gcp/GlobalEnablingTradeReport/index.htm>.
- Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at <http://www.state.gov/g/drl/rls/hrrpt/>.
- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 92 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of ~~national level~~ **national level** anti-corruption systems. The report is available at: <http://report.globalintegrity.org/>.

The U.S.-Romanian Bilateral Investment Treaty (BIT) on the Reciprocal Encouragement and Protection of Investment (signed in May 1992 and ratified by the U.S. in 1994) guarantees national treatment for U.S. and Romanian investors. The agreement provides a dispute resolution mechanism, liberal capital transfer, prompt and adequate compensation in the event of an expropriation, and the avoidance of trade-distorting performance requirements. The U.S. Government negotiated an agreement with the EU and eight accession countries, including Romania, to cover any possible inconsistencies between pre-existing BITs and the countries' future EU obligations. This revised BIT was ratified by the U.S. Senate and the Romanian Parliament in 2004, and went into effect on February 9, 2007. Other bilateral trade agreements with third countries were terminated upon Romania's EU accession.

OPIC and Other Investment Insurance Programs

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The Overseas Private Investment Corporation (OPIC) began operations in Romania in late 1992, and continues to actively finance projects in the country. Romania has been a member of the Multilateral Investment Guarantee Agency (MIGA) since 1992.

Labor

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Romania has traditionally offered a large, skilled labor force at comparatively low wage rates in most sectors, although the labor pool has tightened in highly skilled professions, despite growing unemployment overall. The university system is generally regarded as good, particularly in technical fields, though foreign and Romanian business leaders have urged reform of outdated higher education curricula to better meet the needs of a modern, innovation-driven market.

The quality of work of Romanian craftsmen, engineers, and software designers is well regarded by foreign managers. With appropriate on-the-job training, local labor performs well with new technologies and more exacting quality requirements. However, labor shortages have appeared in certain sectors, resulting in strong upward pressure on wages in recent years. Before the onset of the global economic downturn, analysts estimated that as many as 600,000 additional skilled workers would be needed in the construction industry alone. Outward labor migration and the number of students graduating without the practical skills needed for the modern workplace are considered the main causes for this trend. Slowing growth and recession in Western Europe were expected to alleviate domestic labor market shortages somewhat, as some Romanian workers returned from abroad. Although Romanians have not returned in large numbers, the country experienced a marked increase in unemployment as the recession deepened, although unemployment rates gradually began to go down in 2010.

Unemployment officially stood at 6.745% in January ~~2011~~, 2011, representing 614,976 employees, down from 6.87% at the end of 2010. Analysts predict that the unemployment rate will remain flat in 2011. Underemployment is also a significant problem.

Since Romania's revolution in December 1989, labor-management relations have occasionally been tense, the result of economic restructuring and personnel layoffs. Trade unions, much better organized than employers' associations, are vocal defenders

of their rights and benefits. The national minimum wage was set at RON ~~670~~per670
per month (about USD 216) on January 1, 2011, after extensive negotiations between
unions, employers associations, and the Government. The GOR adheres to the
International Labor Organization (ILO) convention on protecting workers' rights.
According to Eurostat, Romania's minimum wage of 232 points (adjusted for purchasing
power parity) is next to last among the 27 EU member states, ahead only of Bulgaria.

Employers consider the Labor Code, passed in 2003, to be overly rigid for a market
economy, making it more difficult for employers to dismiss employees for poor
performance. While foreign investors consider the June 2005 Labor Code amendments
an improvement, the Code still favors trade unions and retains provisions restricting
labor flexibility. In February 2011, the Executive passed and submitted to Parliament a
new amended Labor Code, putting more flexibility in the labor ~~market~~market and
especially to employers' ability to hire and fire.

Payroll taxes remain steep, resulting in an estimated 25-30% of the labor force working
in the "underground economy" as "independent contractors," where their salaries are
neither recorded nor taxed. Even for registered workers, under-reporting of actual
salaries is common.

Current law makes it very costly to engage non-EU citizen staff in Romania. Foreign
companies often resort to expensive staff rotations, special consulting contracts, and
non-cash benefits. Work permits are issued for a maximum of one year (except for
seasonal work), for a fee of 200 euro (payable in the RON equivalent of that day's
exchange rate). These permits are automatically renewable with a valid individual work
contract. There are 41 Romanian Immigration Authority offices – one in each county –
to issue work permits for foreign citizens. After acceding to the EU, citizens of other EU
countries can work in Romania without work permits if their own country does not
impose restrictions on Romanian citizens. Although several companies hire non-EU
citizen employees, mainly from Turkey, China, India, Pakistan or Moldova, most
Romanian businesses are still reluctant to bring in large numbers of foreign employees.
In 2011, Romania will issue 5,500 work permits, 2,500 fewer than the previous year.

Foreign-Trade Zones/Free Ports

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Free Trade Zones (FTZs) received legal authority in Romania in 1992. General
provisions include unrestricted entry and re-export of goods, and exemption from
customs duties. The law further permits the leasing or transfer of buildings or lands for
terms of up to 50 years to corporations or natural persons, regardless of nationality.
Foreign-owned firms have the same investment opportunities as Romanian entities in
FTZs.

Currently there are six FTZs, primarily located on the Danube River or close to the Black
Sea: Sulina, Constanta-Sud Agigea, Galati, Braila, Curtici-Arad, and Giurgiu. The
administrator of each FTZ is responsible for all commercial activities performed within
the zone. FTZs are under the authority of the Ministry of Transportation.

Foreign Direct Investment Statistics

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Romania did not attract significant foreign direct investment (FDI) until after the 1990s, due to delays in post-Communist economic reforms. According to data provided by the National Office of the Trade Registry, the cumulative net stock of FDI from January 1990 to September 2010 totaled USD 37.75 billion, about 23.4% of Romania's GDP. Romanian direct investments abroad from January to August 2010 totaled USD 113 million.

Major sectors for foreign investment include:

- Automobile and automotive components (Renault, Daimler Benz, Ford, Siemens, Continental, Alcoa, Delphi Packard, Johnson Controls, Honeywell Garrett, Michelin, Pirelli);
- Banking and finance (Citibank, Société Générale, AIG, ING, Generali, Volksbank, Raiffeisen, Erste Bank, Unicredit, Alpha Bank, National Bank of Greece, Intesa Sanpaolo, Millenium Bank, Garanti Bank/ GE Money);
- Information Technology (Hewlett Packard, Intel, Microsoft, Oracle, Cisco Systems, IBM);
- Telecommunications (France Telecom, OTE, Telesystem International Wireless Services, Airtouch-Vodafone, Liberty Media/UPC);
- Hotels (Hilton, Marriott, Best Western, Howard Johnson, Sofitel, Crowne Plaza, Accor, Ramada, Radisson);
- Manufacturing (Timken, General Electric, Cameron, LNM, Marco, Flextronics, Holcim, Lafarge, Heidelberg);
- Consumer products (Procter and Gamble, Unilever, Henkel, Coca-Cola, Parmalat, Danone, Smithfield Foods);
- Retail chains (Metro, Delhaize, Carrefour, Cora, Billa, Selgros, Auchan, Kaufland).

Officially, the value of U.S. direct investment in Romania as of September 2010 was USD 990.3 million. The U.S. is the tenth-ranked foreign investor nation, after the Netherlands, Austria, Germany, France, Greece, Cyprus, Italy, Switzerland, and Spain. U.S.-source investment represented 2.6% of Romania's total FDI. However, because official statistics do not fully account for the tendency of U.S. firms to invest through foreign, especially European-based, subsidiaries, the actual amount is higher. Romanian statistics also over-emphasize physical, capital-intensive investments, such as brownfield investments, while overlooking the impact of foreign investment in services and technology. Significant U.S. direct investors (including investments made through branches or representative offices) include:

- Advent Central and Eastern Europe - investment fund - AIG - general insurance;
- Met Life - life insurance;
- AIG New Europe Fund - investment fund;
- Alcoa - automotive, aluminum processing;
- Bunge - grain trading
- Cargill - grain export and food processing;
- Citibank - banking;
- Coca-Cola - beverage, food;
- Cooper Cameron - gas field equipment manufacturer;
- Delphi Packard - automotive parts;
- EuroTire – mining and heavy equipment tires
- Ford - automotive assembly;

- General Electric - diversified industrial products;
- GE Money - non-banking financial services;
- Hewlett Packard - IT equipment, services;
- Hoeganaes - iron powder for automotive;
- Honeywell Garrett - automotive;
- IBM - IT equipment;
- Johnson Controls - automotive;
- Kodak - film processing;
- McDonald's - food;
- Microsoft - software services;
- New Century Holding - investment fund;
- Office Depot - office and business supplies;
- Oracle - IT services, consulting;
- Pepsico - beverage;
- Philip Morris - tobacco products;
- Procter and Gamble - consumer products;
- Qualcomm - telecommunications;
- Sigma Bleyzer - investment fund;
- Smithfield Foods - pork production;
- Timken - industrial bearings;
- UPC - cable television operator;
- Visa - financial services;
- Washington International Group/URS – engineering.

In addition to these companies, the European Bank for Reconstruction and Development (EBRD) remains the single largest investor (debt plus equity) in Romania, with some USD 6.6 billion invested. The current stand-by agreement with the International Monetary Fund (IMF) includes a one billion euro loan from the EBRD, European Investment Bank (EIB), and the International Finance Corporation (IFC). The U.S. is a 10% shareholder in the EBRD.

Romania's biggest investors are:

- The Netherlands - USD 6.58 billion (17.5% of total FDI): IT, banking, insurance, consumer products, food;
- Austria - USD 5.38 billion (14.3%): banking, insurance, construction materials;
- Germany - USD 5.34 billion (14.2%): insurance, food, machine construction, chemicals, cement, banking;
- France - USD 2.73 billion (7.24%): food, IT, automotive, manufacturing, cement, agriculture, banking, hypermarkets;
- Greece - USD 2.38 billion (6.3%): banking, food, consumer products, retail;
- Cyprus - USD 2.09 billion (5.6%): banking, retail, services;
- Italy - USD 1.78 billion (4.7%): footwear, textiles, food, banking, insurance;
- Switzerland - USD 1.28 billion (3.4%): food, manufacturing, consumer products;
- Spain - USD 1.15 billion (3%): manufacturing, consumer products, banking;
- U.S. - USD 990.3 million (2.6%): IT, automotive, banking, insurance, hospitality, manufacturing, consumer products.

Romanian Government

<http://www.guv.ro>

The Authority for State Assets Recovery

<http://www.avas.gov.ro>

Ministry of Public Finance

<http://www.mfinante.ro>

Ministry of Economy, Trade and Business Climate

<http://www.minind.ro>

International Centre for Settlement of Investment Disputes

<http://www.worldbank.org/icsid>

Romanian Copyright Office

<http://www.orda.ro>

Ministry of Communications and Information Technology

<http://www.mcti.ro>

National Securities Commission

<http://www.cnvmr.ro>

Bucharest Stock Exchange

<http://www.bvb.ro>

National Bank of Romania

<http://www.bnro.ro>

National Anti-Corruption Prosecutors' Office

<http://www.pna.ro>

Romanian Government's Web-Based e-Procurement System

<http://www.e-licitatie.ro>

Overseas Private Investment Corporation

<http://www.opic.gov>

Ministry of Labor, Social Solidarity and Family

<http://www.mmuncii.ro>

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Chapter 7: Trade and Project Financing

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How Do I Get Paid (Methods of Payment)

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The least risky for the American exporter and most widely accepted method of payment is by confirmed, irrevocable letter of credit. However, this method is not necessarily the most competitive for winning sales in Romania. An L/C represents a credit obligation for the Romanian buyer, who may not be willing (or able) to borrow at a cost-effective rate. Cash-against-documents or open-account terms entail more risk for the exporter, but may be preferable for the buyer. Each exporter has to weigh the element of risk in a transaction against the relationship with the buyer and degree of competition.

Commercial banks offering international trade services can describe the risks and merits of each payment method, but American exporters are well advised to establish payment policies for international sales based in business strategy. In addition to the due diligence tools discussed in Chapter 3, there are other forms of U.S. Government support for managing risk. The U.S. Export-Import Bank (Eximbank) offers a program of export credit insurance to enable U.S. exporters to extend credit terms with protection against the risk of non-payment.

Key link: <http://www.exim.gov/>

How Does the Banking System Operate

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The number of foreign banks in Romania has increased from 5 in 1990 to more than 30 in 2010, and all are authorized to engage in a full range of traditional banking functions.

Romania's membership in the EU and greater integration into world financial markets exposed its economy to the banking problems of the last two years. The dominant role of foreign banks in the market has brought benefits, but also made Romania a captive to the decisions of these banks' home offices, and their shareholders. However, Romania has proven a profitable market for these banks, and none have expressed plans to exit the market.

Foreign-Exchange Controls

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Romania has no foreign exchange restrictions. The local currency, the **R**omanian **N**ew **L**EU, (abbreviated **RON**) is fully convertible for business (current account) purposes, with a fully liberalized capital account, and a central bank applying a managed float to reduce currency fluctuations. Foreign investors may freely repatriate profits and dividends in hard currency.

U.S. Banks and Local Correspondent Banks

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All commercial banks now operating in Romania have international correspondent relationships, and all are members of the domestic inter-bank payment-settlement system.

Citibank is the most well known U.S. bank in Romania, represented by Citibank Romania S.A. since 1996. Citibank Romania S.A. has 8 corporate banking branches in the following major cities: Brasov, Bucharest, Cluj – Napoca, Constanta, Iasi, Ploiesti, Sibiu and Timisoara, as well as 39 CitiFinancial agencies, dedicated to individual clients.

The Romanian financial landscape includes a substantial number of European bank subsidiaries, and several major Romanian banks. Most of these have parent corporations in Austria, France, Italy, Greece, or U.K. but also Cyprus (Bank of Cyprus), Israel (Leumi Bank), The Netherlands (ING Bank), Portugal (Millennium Bank), etc.

Project Financing

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Project financing from public and quasi-public institutions is an important source of investment capital for infrastructure projects in Romania and other countries in the region. Especially as the tide of private investment ebbs, or at least becomes more selective, the roles of organizations such as the World Bank, the European Bank for Reconstruction and Development (EBRD), and the European Union become even more important. This section outlines the major financing organizations, their mechanisms, and their priority areas for Romania. American companies seeking to participate in these projects should become familiar with these organizations and their operations.

The European Union

The EU provides cohesion funds to member states and sub-state regions whose level of development is below the EU average. Now that Romania is a member of the EU it will benefit from approximately USD 41 billion in structural and cohesion funds from 2007 to 2013. American companies can participate directly in projects funded by the EU or in partnership with a company from an EU member country.

The absorption rate of European funds in Romania was under 10%, the official 2010 figures indicate. This is the result after four years, out of the seven in which Romanian Government can claim the funds allotted to Romania by EU after joining. Thus, Romanian authorities and firms have managed to put to use only 8.6 per cent of the money, according to the data released by the Management Authority for Structural Instruments (ACIS) within the Romanian Ministry of Public Finance in January 2011.

Payments made by the European authorities by December 31, 2010, amounted to USD

2.3 billion, rising from USD 0.8 billion at the end of the preceding year. If figures are analyzed starting from the amount allotted for the interval 2007-2010, the absorption rate is almost one fifth 19.09% for the six operational programs. The Romanian Centre for Economic Modeling - CEM identified that the very serious problem of drawing EU funds, amounting to about 10% of the USD 41 billion allotted until 2013, compel the government to consider this a fundamental strategic target. For 2011, CEM forecasts the absorption rate will rise, particularly as regards funds for agriculture, the development of human resources, regional programs and those enhancing competition levels.

The poorest results in this respect were reported by the Ministry of Transport. The program managed by it has drawn only USD 65 million, slightly above 1% of the funds at its disposal. It is followed by the program meant to develop the administrative capacity, with USD 15 million, the equivalent of approximately 5% of the amount allotted by the EU until 2013. The best results are reported by the regional programs, where, with USD 0.8 billion-payments reported by the end of 2010, almost 15% of the total funds allotted until 2013 were absorbed, according to figures supplied by the authorities.

One of the central issues facing the country is its very poor record of developing projects, obtaining EU funds, and administering projects successfully. Romania's public sector is still developing its capacity for these tasks, the potential beneficiaries do not know how to apply, and the majority of applications are unsuccessful. This low EU fund "absorption rate" has become a frequent political criticism, and an industry of consultants has grown up around this problem.

The main sources of information for applicants, consultancy firms, and journalists are the websites of the EU programs and the guides for beneficiaries. Consultants specialized in obtaining EU funds cite the complexity of the guides and their language as problems that lead to either mistranslations or poorly prepared applications. At the same time, those Romanian authorities launching new projects have no dedicated distribution channel, and mainly use press releases.

Romania will have to take immediate action in addressing these problems, since 2011 will certainly bring new challenges to the economy. Improving the administrative capacity of public authorities, the clarity of communication between public and private sectors, increasing transparency, and accelerating the entire decision process will have to be top priorities for the government, in order to ensure a higher absorption rate of EU funds. These funds, translated into effective infrastructure projects, will be an important support for GDP growth.

Financing packages for Romanian projects generally include one or more multilateral lenders – the World Bank (or its International Finance Corporation), EBRD, the European Investment Bank – plus foreign and Romanian commercial banks. Priority projects supported by multilateral institutions are usually related to infrastructure modernization in transportation, power generation, telecommunications, and environmental protection.

The World Bank

The dual objective of the Bank is to support Romania in dealing with the economic and financial crisis, and to broaden and deepen the reform program for sustainable and equitable growth. A new Country Partnership Strategy (CPS) with Romania sets the

rationale and framework guiding the program of the World Bank Group in Romania for 2009-2013.

As the global financial crisis exerts a significant strain on the Romanian economy and society, the Strategy sets out how the World Bank Group will support Romania's efforts to restore sources of sustainable and equitable growth in order to emerge from the crisis on a stronger foothold, while reducing the immediate impact of the crisis on the poor.

In the first few years of the new CPS, the Bank program will center on Advisory and Analytical Activities (AAAs) and a programmatic series of Development Policy Loans (DPLs) which will seek to support the government's goals of further EU convergence. Broadly, the CPS puts emphasis on reforming the public sector, encouraging growth and competitiveness, and promoting social inclusion.

The CPS recognizes the leading role of the EU as main partner of Romania, and the lead of the IMF in putting together the crisis-support package. At the same time, the CPS builds on the significant value-added which the Bank can bring to Romania's policy agenda, especially in the design and implementation of structural reforms.

The Bank will work in areas not or insufficiently covered by EU cooperation (e.g. health, education, social protection, pensions, public administration), and can help the Government assess and design implementation of plans to achieve the acquis. The Bank will also support cross-sector integrated solutions; and can provide a global perspective on experiences with reform.

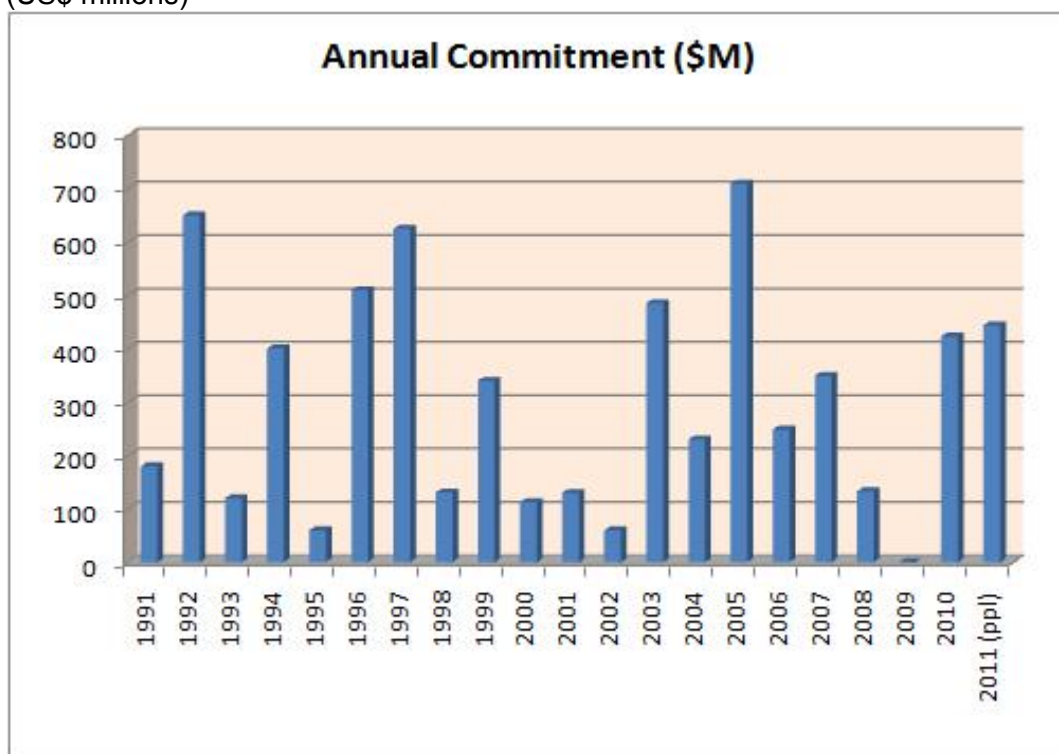
As part of the multilateral financial support agreed on with Romania to address the effects of the global economic and financial crisis and promote the reform agenda of the government, the World Bank is prepared to provide support in a proposed 3-part Development Policy Loan (DPL) program amounting to one billion Euros. The World Bank support would focus on longer-term structural issues in three key areas:

- 1) public sector reforms, notably in fiscal/public financial management to improve the transparency and predictability of public spending and the quality of public services;
- 2) strengthening social protection (social assistance and pensions) to cushion the impact of the crisis on the vulnerable and to improve the efficiency and viability of these programs; and
- 3) financial sector reforms to enhance the resilience and functioning of the sector.

These measures would support the country's longer-term stabilization and economic restructuring agenda. The first Development Policy Loan (DPL1) in the amount of USD 423 million was approved by the Executive Board of the Bank on July 16, 2009.

World Bank Commitments to Romania

(US\$ millions)



NB: Lending is per fiscal year, July 1-June 30

Active Projects Portfolio

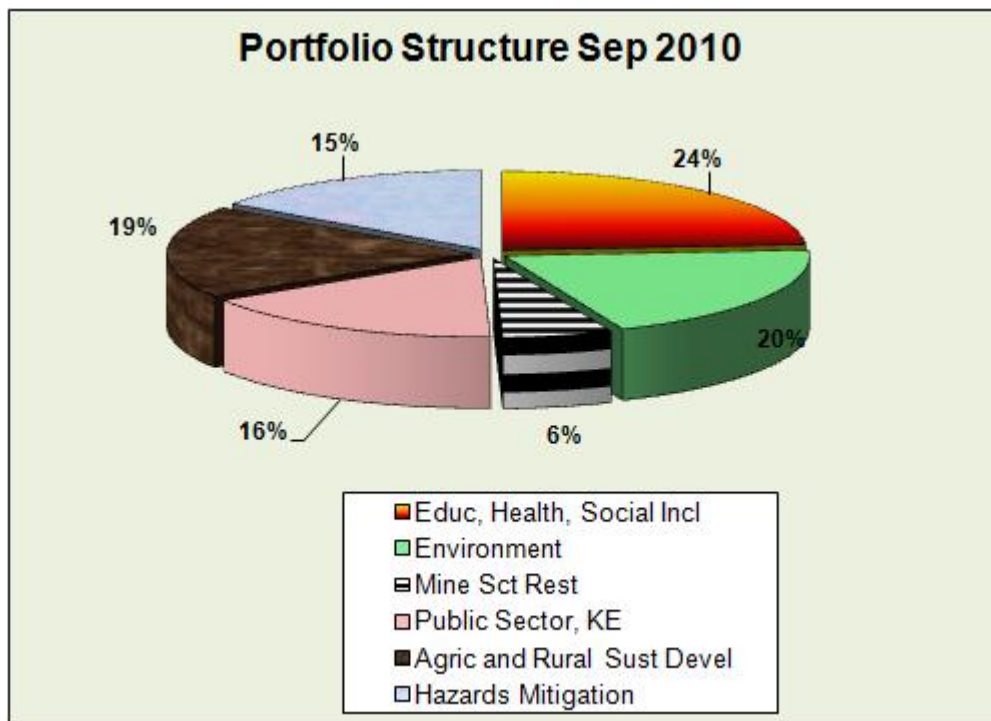
The Bank has played a significant role in Romania, in restructuring the economy, building the private sector, joining the EU or converging toward EU ACQUIS, mitigating the impact of the crisis. Through a combination of lending – investment and policy development – and analytical work, the Bank has provided both financial and intellectual contribution to the reform, integration, and crisis mitigation efforts.

Between 1991 and 2010, the World Bank supported a total of 56 Bank projects in Romania, with a total commitment of about USD 5.97 billion. Currently Romania's World Bank financed portfolio consists of 12 active projects, with a corresponding net commitment of USD 1.034 billion, and several on-going non-lending analytical and advisory activities in various stages of finalization, including the Functional Reviews Fee-Based Service agreed by the Government of Romania and the European Commission.

The Portfolio distribution by main priorities is rather balanced. One quarter of the portfolio – 24% of the total commitment – supports reforms in the social assistance, education and health sectors, with a focus on Roma inclusion, early childhood education programs, digital literacy for knowledge-disadvantaged communities and schools, improving the quality of healthcare in the areas of maternity and new born services, emergency medical services, and rural primary health services. Another quarter – 20% plus 6% – of the Bank assistance supports operations that contribute to EU convergence in the environment protection area (Water and waste water, and Nitrates Directives) and EU Funds absorption and, respectively, the mitigation of earthquake and floods risks. About 19% of the Bank's financing is directed toward agriculture and sustainable development.

Two operations – 16% of the total commitment – support reform in the Judiciary and the integration of knowledge-disadvantaged communities into the knowledge-economy. The rest of the portfolio is targeting the environmentally sustainable closing of uneconomic mines. The DPL2, negotiated, and soon to be approved, aims at improving fiscal sustainability and management of public finances, strengthening social assistance and social protection, enhancing the resilience of the financial sector.

World Bank Active Portfolio by Sector as of September, 2010 (%)



European Bank for Reconstruction and Development

EBRD's latest strategy for Romania was approved in April 2008. The main goal of the strategy is to help Romania meet its post accession challenges. The strategy focuses on the following key priorities:

1) Enterprise Sector:

The Bank will provide support to the local private sector, with a special focus on competitiveness and expansion throughout Romania and across its borders. The Bank will pay particular attention to the development of businesses in less advanced regions of Romania in order to promote regional integration. The single EU market and competition from Asia are challenges to the Romanian private sector which the Bank will help address through finance and expertise. Investment requirements will be addressed in a range of areas including services, manufacturing, technology and skills training. Funding requirements will be considered in close collaboration with local banks and private equity funds.

EBRD will diversify its range of financing products to include more high-risk instruments (such as equity, quasi equity, and structured debt) to support the restructuring, consolidation and expansion of local companies on the Romanian market and to attract further FDI.

The Bank will enhance its efforts to lend in local currency to those borrowers which generate local currency revenue streams. Local currency loans are critical to mitigate potential foreign exchange exposure which may arise for borrowers whose revenues are denominated in RON but which do not have matching RON liabilities. Financial tools, such as dedicated credit lines utilizing EU post accession funds, will be tailored to help local businesses.

2) Energy Sector:

The EBRD will continue to invest with both the public and private sectors in energy generation, transmission and distribution, including policy dialogue to promote appropriate regulatory and institutional reform in line with the EU Directives and the Government's recently approved energy strategy. In addition there is a particular need to invest in the upgrade and rehabilitation of electricity assets, especially power stations. Energy efficiency and renewable energy projects will be promoted as part of the Bank's Sustainable Energy Initiative. The Bank will work to help address Romania's high energy intensity challenge (which is negatively affecting the economy's competitiveness) by promoting energy efficiency projects, for municipalities, industries and households.

3) Infrastructure:

The Bank plans to assist Romania improve its infrastructure, including the transport sector, to ensure enhanced regional cooperation, improved trade and the utilization of Single Market benefits. This includes improving the administrative capacity for structuring PPPs and supporting private sector capital in key transport infrastructure projects that will enhance economic development. In addition, the Bank will continue its activities in the municipal sector throughout the country, especially in view of the opportunities arising from the EU post-accession structural and cohesion funds. This will include a focus on the smaller municipalities. The Bank will continue to pursue lending on a commercial basis directly to regional water and waste water companies to upgrade and expand their assets and to municipalities for urban transport and roads, energy efficiency and solid waste transactions.

4) Agribusiness:

The Bank will promote consolidation and competition in the sector (especially in the regions) and is particularly focused on food processing, logistics and retail to stimulate demand for local products. The banking sector will be used as the intermediary to tackle challenges in the agriculture sector, by providing dedicated credit lines to rural areas and piloting more sophisticated agri-lending products. Banking products to foster the energy savings sector in Romania are also being introduced. The Bank will continue to provide financing for Micro Small and Medium Enterprises (MSMEs) and non-bank microfinance institutions and support the general development of the non-banking financial sector.

5) Finance:

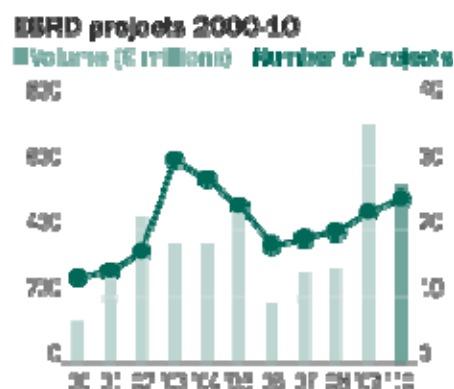
The Bank will continue to provide financial support to both foreign owned and local banks to assist them to further develop. From 2009 the EBRD has increased its lending and equity investments in Romania. In response to the economic downturn and the decline of funds available from the private sector, the EBRD is focusing on providing financial support to:

- banks, to ensure credit is available for Small and Medium Enterprises,
- the corporate sector, including new equity investments, working capital loans and balance sheet restructuring,
- the energy sector, including green-field projects, rehabilitations and energy efficiency projects, and
- infrastructure (roads and municipal projects).

As part of the IMF-EU USD 27.4 billion financial support package to Romania, the EBRD has committed to investing USD 1.4 billion in the country over 2009 and 2010. In addition, the Bank, along with the IMF and the EU, has been in continuous dialogue with key parent banks to ensure they maintain adequate funding levels to their subsidiaries in Romania.

Key facts about the EBRD's work in Romania:

No. of projects	287
Net business volume	\$ 7 billion
Total project value	\$ 18.7 billion
Gross disbursements	\$ 5.6 billion
Portfolio in private sector	78%



Sector breakdown of current projects



Export-Import Bank of the United States

U.S. Ex-Im Bank provides guarantees and direct loans for U.S. exports to Romania. Although most of the credit has been for exports to the Romanian government, private sector and sub-sovereign financing is available as well.

Insurance - Ex-Im Bank issues short-term (180 days) coverage for exports to Romania. Medium- and long-term coverage is only available for public sector transactions. Ex-Im Bank provides insurance through its affiliated agent, the Foreign Credit Insurance Association.

U.S. Overseas Private Investment Corporation (OPIC) - OPIC offers U.S. project financing and insurance through direct loans, loan guarantees, and political risk insurance, as well as equity financing through OPIC-supported investment funds. OPIC can co-finance with other bilateral and multilateral development finance institutions, such as the EBRD and IFC.

U.S. Trade and Development Agency (USTDA) - USTDA provides non-reimbursable funds for feasibility studies, pilot projects and orientation visits covering many sectors of the Romanian economy. The agency is very active in Romania.

United Nations Development Program (UNDP) - Established in 1971, the UNDP Country Office in Bucharest was the first UNDP field office in a former Warsaw Pact member state.

The Ministry of Public Finance issues Romanian government guarantees for projects up to \$30 million. The Ministry must submit guarantees for larger projects to an inter-ministry committee and the cabinet for approval. Government guarantees are approved on the basis of feasibility studies, which must contain a clear description of the financial package for the project. The government and IFIs may jointly support viable private sector projects.

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Export-Import Bank of the United States: <http://www.exim.gov>

Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html

U.S. Overseas Private Investment Corporation: <http://www.opic.gov>

Trade and Development Agency: <http://www.tda.gov/>

SBA's Office of International Trade: <http://www.sba.gov/oit/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/cc/default.htm>

U.S. Agency for International Development: <http://www.usaid.gov>

World Bank, Multilateral Development Bank: <http://www.worldbank.org>

International Financial Corporation: <http://www.ifc.org>

European Bank for Reconstruction and Development: <http://www.ebrd.com>

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Business Customs

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Special customs do not figure significantly in business dealings in Romania; Western business standards apply. Romanians generally have positive attitudes toward America, but also draw on their own and other European cultural references.

Romanian nationals are friendly, and foreigners are usually made very welcome. Shaking hands is the normal form of greeting (sometimes a man, usually from older generation, may kiss the hand of a woman in greeting); normal courtesies are observed when visiting a person's home. It is important to take business cards to meetings and to give a card to each person present.

Flowers are very popular in Romanian culture, and are given for almost every occasion, including name day celebrations, weddings, and visits to Romanian homes. Always buy an odd number of flowers (even numbers are used at funerals). Casual wear is the most suitable form of dress for most social occasions, but attire may be more formal when specified for entertaining in the evening or in a restaurant or theater. The Romanians use the formal addresses of "domnul" (sir) and "doamna" (madam) when addressing one another, although first names are used among younger people and in business with English-speaking partners. It is customary to say "pofta buna" (bon appétit) before eating, and "noroc" (cheers) before drinking.

Travel Advisory

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General and country-specific travel information can be found on the U.S. Department of State's web site: http://travel.state.gov/travel/travel_1744.html

Visa Requirements

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U.S. citizen visitors are granted 90 days of stay without a visa within a given six-month period. For stays longer than 90 days, you must obtain an extension of stay from the [Romanian Office for Immigration](#) in the area of your residence. If you stay too long you will need an exit visa. We do not recommend the practice of attempting to “extend” the 90-day period by traveling to another country for a short period and then returning to Romania. More people are being denied re-entry to Romania because the Romanian Government is enforcing visa regulations more vigorously than in the past. Visit the [Embassy of Romania](#) website for the most current visa information or contact the Romanian Embassy at 1607 23rd St. NW, Washington, D.C. 20008, telephone number (202) 232-4747, or the Romanian Consulates in Los Angeles, Chicago, or New York.

Foreigners are required to carry identification documents at all times. Americans who obtained a temporary or permanent stay permit must be able to present the document upon the request of any “competent authorities.” Foreigners who do not have a stay permit should present their passports. The Embassy recommends carrying a copy of the relevant document.

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security evaluations are handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website: <http://travel.state.gov/visa/>

US Embassy in Romania: <http://romania.usembassy.gov/visas/index.html>

Telecommunications

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Local wired-telephony service is reliable. There are several mobile telephone operators, all of which have extensive coverage of the country and also offer roaming services in a large number of countries, the United States included. International telephone connections via fixed or mobile telephony are generally good. Romania is seven time zones ahead of U.S.-Eastern standard time. Internet service is widely available in hotels and Internet cafes. Broadband Internet access is expanding in Romania but still represents a minority of available Internet service.

Transportation

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TAROM, the Romanian national airline, serves major points in Romania and Europe. The airline has joined the Sky Team Alliance for the purposes of marketing, code share, and group communication. Other international carriers currently serving Romania include Aeroflot (Russia), Air France, Alitalia, Austrian Airlines, British Airways, CSA (Czech Republic), El Al (Israel), KLM (The Netherlands), LOT (Poland), Lufthansa (Germany), MALEV (Hungary), Olympic (Greek), Swiss and Turkish Airlines. Qatar Airways has recently entered the Romanian market with a new route.

Most major cities of Romania have airline service which connects to Bucharest. In addition to Henri Coanda, Bucharest’s main international airport, Aurel Vlaicu Bucharest-Baneasa, Timisoara, Constanta-Kogalniceanu, Cluj-Napoca, Sibiu, and Targu Mures airports are also ports of entry.

In Bucharest, hotel chains such as Radisson, Marriott, Hilton, and Crowne Plaza provide scheduled shuttle bus service to and from the Henri Coanda Airport; rental car service is also available. All taxis are required to have meters.

Romania has an international and domestic rail system, though the country's rail infrastructure is in poor condition, and interconnection with the rest of Europe is not convenient or smooth. The domestic motorway network is extensive, but the road quality is very poor. Roads in Bucharest are in a near-constant state of construction. Winter driving in Romania often requires navigating sometimes-hazardous mountain passes. Driving after dark at any time of year requires care because of obstacles, holes, pedestrians, animals, or slow-moving vehicles often encountered on the poorly or unit roadway.

Romanian traffic laws are very strict. Any form of driver's license or permit can be confiscated by the Traffic Police for 1-3 months and payment of fines may be requested at the time of many infractions. Some examples are: failure to yield the right of way, failure to yield to pedestrians at crossroads, or not stopping at a red light or stop sign. Romanian traffic law provides for retention of licenses and possible imprisonment from 1 to 5 years for driving under the influence (alcohol level over 0.1% limit) or for causing an accident resulting in injury or death. In spite of these strict rules, however, many drivers in Romania often do not follow traffic laws or yield the right of way. Therefore it is strongly recommended that defensive driving be the rule of thumb while driving throughout Romania.

U.S. driver's licenses are only valid in Romania for up to 90 days. Before the 90-day period has expired, U.S. citizens must either obtain an international driving permit in addition to their U.S. driver's license or a Romanian driver's license.

Language

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The official language of Romania is Romanian. This language, which uses the Latin alphabet and is a Romance language, evolved from the Latin used in the Roman colony of Dacia. English, French and German are also widely spoken.

Health

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Medical care in Romania is generally not up to Western standards, and basic medical supplies are limited, especially outside major cities. Some medical providers that meet Western quality standards are available in Bucharest and other cities but can be difficult to identify and locate. Travelers seeking medical treatment should therefore choose their provider carefully. A list of hospitals and physicians is available on the website of the U.S. Embassy in Bucharest.

<http://romania.usembassy.gov/acs/health4.html>

Information regarding health threats or other medical issues affecting visitors to Romania can also be found at this site. The U.S. Department of State is unaware of any HIV/AIDS entry restrictions for visitors to or foreign residents of Romania.

The Department of State strongly urges Americans to consult with their medical insurance company prior to traveling abroad to confirm whether their policy applies overseas and whether it will cover emergency expenses such as a medical evacuation. Please see information on [medical insurance overseas](#).

Americans who wish to extend their stay in Romania must present proof of health insurance that applies overseas for the duration of their intended stay in Romania. Useful information on medical emergencies abroad, including overseas insurance programs, is provided on the Department of State's web page, [Medical Information for Americans Traveling Abroad](#).

For more details, please consult this web link:
<http://romania.usembassy.gov/acs/health4.html>

Local Time, Business Hours, and Holidays

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Local time is Standard GTM + 2 hours.

Business hours are usually between 9 a.m. and 5 p.m.

Holidays:

Date	Day	Holiday	Type
Jan. 1	Friday	New Year's Day	Romanian
Jan. 2	Saturday	Second Day of New Year	Romanian
April 4	Sunday	Orthodox Easter Sunday	Romanian
May 1	Saturday	Romanian Labor Day	Romanian
May 23	Sunday	Pentecost ("Rusalii")	Romanian
May 24	Monday	Pentecost	Romanian
Dec. 1	Wednesday	Romanian National Day	Romanian
Dec. 26	Sunday	Christmas Day After	Romanian
Dec. 31	Friday	New Year's Day	American

Temporary Entry of Materials and Personal Belongings

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Romania's customs authorities may enforce strict regulations concerning temporary importation into or export from Romania of items such as firearms, antiquities, and medications. Romanian law allows travelers to bring cash into or out of Romania. However, sums larger than 10,000 Euros or the equivalent must be declared. It is advisable to contact the Embassy of Romania in Washington or one of Romania's consulates in the United States for specific information regarding customs requirements.

Embassy of Romania in Washington DC

Address: 23rd Street NW, Washington DC 20008

Phone: (01 - 202) 232.36.94; (01 - 202) 332.48.46; (01 - 202) 332.48.48;(01-202) 332.48.29; (01-202) 232 6634; (01-202) 387.69.01

<http://www.roembus.org/>

Romania customs authorities accept the use of an ATA (Admission Temporaire/Temporary Admission) Carnet for the temporary admission of professional equipment, commercial samples, and/or goods for exhibitions and fair purposes. ATA Carnet Headquarters located at the U.S. Council for International Business, 1212 Avenue of the Americas, New York, NY 10036, issues and guarantees the ATA Carnet in the United States. For additional information call (212) 354-4480, send an e-mail to atacarnet@uscib.org, or visit <http://www.uscib.org> for details.

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U.S. Department of State

http://travel.state.gov/travel/travel_1744.html

Embassy of Romania in Washington DC

<http://www.roembus.org/>

U.S. Embassy in Bucharest

<http://bucharest.usembassy.gov/main.html>

Ministry of Communication and Information Society

<http://www.mcti.ro>

Ministry of Transportation and Infrastructure

<http://www.mt.ro>

Ministry of Public Health

<http://www.ms.ro>

National Customs Authority

<http://www.customs.ro/en.aspx>

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Contacts

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U.S. Commercial Service Bucharest – U.S. Embassy

<http://www.buyusa.gov/romania>

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Email: Keith.Kirkham@trade.gov

Doina Brancusi, Commercial Specialist

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Email: doina.brancusi@trade.gov

Industries: Advertising Services, Air Conditioning/Refrigeration Eq., Apparel, Architectural/Constr./Engineering SVC, Audio/Visual Eq., Building Products, Commercial Fishing Eq., Composite Materials, Construction Eq., Consumer Electronics, Dental Eq., Drugs/Pharmaceuticals, Education/Training Services, Films/Videos, Footwear, General Consumer Goods, Giftware, Health Care Services, Hotel/Restaurant Eq., Lawn/Garden Eq., Leather/Fur Products, Medical Eq., Pleasure Boats/Accessories, Railroad Eq., Sporting Goods/Recreational Eq., Textile Fabrics, Textile Machinery/Eq., Toys/Games, Travel/Tourism Services

Monica Eremia, Commercial Specialist

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Email: monica.eremia@trade.gov

Industries: Aircraft/Aircraft Parts, Airport/Ground Support Eq., Aviation Services, Commercial Vessel/Eq. (Non-Fisheries), Computer Services, Computer Software, Computers/Peripherals, Defense Industry Eq., Electronic Components, Electronics Industry Prod/Test Eq., Financial Services, Insurance Services, Investment Services, Leasing Services, Port/Shipbuilding Eq., Security/Safety Eq., Telecommunications Eq., Telecommunications Services

Corina Gheorghisor, Commercial Specialist

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Email: corina.gheorghisor@trade.gov

Industries: Automobile/Light Truck/Vans, Automotive Parts/Services Eq., Books/Periodicals, Cosmetics/Toiletries, Franchising, Furniture, Jewelry, Regulations, Packaging Equipment and Materials, Plastics and plastic manufacturing; food processing machinery.

Maria Nitoiu, Commercial Specialist

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Email: Maria.Nitoiu@mail.doc.gov

Industries: Coal, Electrical Power Systems, Mining Industry Eq., Oil/Gas Field Machinery, Oil/Gas/Mineral Prod/Explor Serv., Pollution Control Eq., Port/Shipbuilding Eq., Renewable Energy Eq., Water Resources Eq./Services

Gabriel Popescu, Commercial Specialist

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Email: Gabriel.Popescu@trade.gov

Industries: Accounting Services, Agricultural Machinery & Eq., Chemical Production Machinery, Financial Services, General Industrial Eq./Supplies, Industrial Chemicals, Insurance Services, Investment Services, Iron/Steel, Leasing Services, Machine Tools/Metalworking Eq., Materials Handling Machinery, Non-Ferrous Metals, Oil/Gas Field Machinery, Printing/Graphic Arts Eq., Process Controls - Industrial, Pulp/Paper Machinery, Tools - Hand/Power, Used/Reconditioned Eq.

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Email: ion.duculescu@trade.gov

Market Research

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To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/mrktresearch/index.asp> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, and is free.

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Please click on the link below for information on upcoming trade events.

<http://www.export.gov/tradeevents/index.asp>

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Chapter 10: Guide to Our Services

The President's National Export Initiative aims to double exports over five years by marshaling Federal agencies to **prepare U.S. companies to export successfully, connect them with trade opportunities** and **support them once they do have exporting opportunities**.

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: www.export.gov

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link: (Insert link to Products and Services section of local buyusa.gov website here.)

We value your feedback on the format and contents of this report. Please send your comments and recommendations to: Market_Research_Feedback@trade.gov

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

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